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# 2013 Community Lending Plan

## Executive Summary

The economic recovery remains uneven and uncertain across New England and the nation. High and increasing housing cost burdens coupled with persistent unemployment in some parts of New England and fragile housing markets strain communities and residents. Member financial institutions remain active and willing partners to invest in the many varied community development activities needed to propel the recovery forward.

The Federal Home Loan Bank of Boston will continue to offer its housing and community investment programs to member financial institutions and their partners to develop or preserve affordable housing, promote responsible homeownership, and provide capital to small businesses.

The 2013 Community Lending Plan identifies regional affordable housing and community-economic development needs and market opportunities for the Federal Home Loan Bank of Boston and our member financial institutions to serve New England and all the markets where our members do business. The 2013 Community Lending Plan incorporates program and policy responses to these market opportunities and establishes community development lending goals for the Federal Home Loan Bank of Boston.

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## **2013 Market Analysis and Research**

### **Regional Affordable Housing and Community-Economic Development Needs, Market Opportunities, and Priority Initiatives and Activities**

This section summarizes the Federal Home Loan Bank of Boston's research and analysis of critical housing and community-economic development needs across New England necessary for continued economic recovery and community development. Through this analysis, the Bank has also identified community development lending and investment opportunities for our members that will shape the direction of the housing and community investment programs for 2013. Appendix A contains the detailed analysis supporting these priorities, findings, and initiatives.

***Priority I: Production and preservation of quality, affordable housing stock are essential building blocks for New England's communities.***

The demand for affordable housing is both rising and deepening as a result of the Great Recession. The absence of sufficient supply and demand for affordable housing is noted locally, statewide, regionally, and nationally. This applies to both rental and homeownership housing. Each of the state housing and community development consolidated plans and the state Qualified Allocation Plans (QAP) for Low Income Housing Tax Credits cite the need to develop more affordable housing.

**KEY FINDINGS:**

**Basic housing affordability is receding and the number of households facing cost burdens is increasing.**

**The loss of existing quality, affordable for-sale and rental homes and apartments is also contributing to the affordability problem. Preserving existing affordable housing stock, notably federal and state-owned public housing resources, is critical.**

**Ending homelessness, especially chronic homelessness and among veterans, remains a regional and national priority.**

**Homeownership housing which is affordable and financially sustainable remains an important community development goal across New England.**

**Consequently, production of quality, affordable housing and preservation of existing affordable housing stock/investments remain high priorities across New England.**

*Priority I - 2013 Community Lending Plan Initiatives:*

1. Develop or sponsor forums, technical assistance training, and networking events to address affordable housing production and preservation, on topics such as but not limited to:
  - a. Lending and investment opportunities in affordable housing and community development;
  - b. The role of private capital in affordable housing and economic development;
  - c. Preservation of state-owned public housing facilities; and/or
  - d. Veterans' homelessness/housing needs.
2. Critical District Housing Need: affordable housing preservation will remain a component of the AHP scoring category Second District Priority in the 2013 AHP Implementation Plan.
3. Continue to research and expand the Affordable Housing Program to facilitate broader participation by revolving loan funds.
4. Continue to sponsor the New England Network.

***Priority II: Unemployment, job growth and retention, and small business development are first order economic development priorities across New England.***

**KEY FINDINGS:**

**Unemployment is cited as the primary economic development challenge confronting New England and the nation.**

**Supporting small businesses is a central economic development focus. Lenders are committed to lending and investing. Expanding partnerships among small business technical assistance providers, community development financial institutions and loan funds, and community lenders will help support and expand responsible access to credit.**

*Priority II - 2013 Community Lending Plan Initiatives:*

1. Develop or sponsor forums, to focus on lending opportunities for entrepreneurs and small businesses including:
  - a. Technical assistance and networking events for small businesses to meet lenders, small business counselors, and other public and private economic development stakeholders; and/or
  - b. Explore sponsoring an Entrepreneurs Funders Fair in Massachusetts.
2. Continue to offer the Community Development Advance program as an economic development funding mechanism.
3. Continue to research other economic development opportunities and strategies such as partnerships, risk sharing mechanisms, guarantees, or other credit products to help small businesses and nonprofit housing developers.

***Priority III: Home foreclosure response and prevention efforts are needed to assist families in foreclosure, educate to avoid future foreclosures, and move foreclosed housing stock back into productive use.***

**KEY FINDINGS:**

**Foreclosures continue to negatively impact communities disparately across New England. The impacts include depressed home values and sales, lost household wealth, homelessness, blight, and other impacts. It is important to return blighted, foreclosed properties to productive use.**

**Foreclosure response requires assisting existing homeowners to prevent foreclosure or provide counseling and mediation during foreclosure, including avoiding foreclosure loan modification scams. Engaging in loss mitigation and loan modification programs is also essential to working through these challenges.**

*Priority III - 2013 Community Lending Plan Initiatives:*

1. Develop or sponsor forums and technical assistance and networking events to address foreclosure response and prevention, including foreclosure modification scam prevention.
2. Critical District housing need: foreclosure response will be a component of the AHP scoring category Second District Priority in the 2013 AHP Implementation Plan.

***Priority IV: Recovery from natural disasters presents significant challenges and opportunities.***

**KEY FINDINGS:**

**Natural disasters and other adverse weather events such as Tropical Storms Irene (2011) or Sandy (2012) can cause significant damage, requiring short and long-term recovery efforts and revealing opportunities to rebuild more effectively.**

**The damage resulting from national disasters exposes existing or nascent problems ranging from a homeowner's individual credit issues, a struggling small business, to larger challenges about aging infrastructure, development in floodplains, or other land use concerns.**

*Priority IV - 2013 Community Lending Plan Initiatives:*

1. Explore development or sponsorship of forums or events addressing housing and economic development aspects of disaster prevention, response, and long-term community resiliency.
2. Continue to research program development options such as adding disaster response to the AHP scoring category Second District Priority or a separate homeownership rehabilitation program under the Equity Builder Program focused on disaster response.

***Priority V: Encouraging sustainable development building practices and strategic land-use decisions is critical for long-term community stability.***

**KEY FINDINGS:**

**New England prioritizes smart growth and sustainable development building practices, including locating development near transportation and employment centers, and encouraging more energy - and resource-efficient development and operations.**

**Development of energy-efficient buildings is critical for long term operating success and affordability for homeowners, property owners, and renters.**

**The potential cost premiums associated with sustainable building development and operating practices may be an obstacle as development costs escalate and funding resources decrease.**

*Priority V - 2013 Community Lending Plan Initiatives:*

1. Critical District Housing Need: smart growth, sustainable development building practices, and energy-efficient operations will remain the focus of the AHP scoring category Community Stability in the 2013 AHP Implementation Plan.
2. Focus on affordable housing and sustainable development through the 2013 Affordable Housing Development Competition.
3. Continue to sponsor regional or statewide events and/or other organizations focusing on sustainable development.

***Priority VI: Maintaining and expanding collaborative relationships with state housing finance agencies, other agencies, and stakeholders, such as community development financial institutions, are needed to respond to changing community needs.***

**KEY FINDINGS:**

**Collaboration is critical given the fragile economic recovery and possibility for future federal and state level funding cuts.**

**The prospects for both capital and operating funding cuts will impact the array of housing finance options available and require more innovation and private capital to meet changing needs.**

**The rising cost of affordable residential development and preservation is increasingly a concern for public funders and private investors across New England. Collaboration among funders and stakeholders is essential in order to respond and find new ways to develop and preserve affordable housing with fewer resources.**

*Priority VI - 2013 Community Lending Plan Initiatives:*

1. Seek to expand our collaborative efforts with the six New England state housing finance agencies, state housing and economic development departments in terms of programs and outreach events to encourage affordable housing and economic development.
2. Develop or sponsor community and economic development events with other stakeholders such as the Federal Reserve Bank of Boston, the Office of the Comptroller of the Currency or other federal or state agencies or other stakeholders.
3. Continue to research and promote CDFI membership in the Federal Home Loan Bank of Boston.
4. Continue to research how revolving loan funds can most effectively participate in the Affordable Housing Program.

## 2013 Community Lending Plan Ongoing Strategies and Initiatives

- Continue to effectively administer the Affordable Housing Program (AHP), Equity Builder Program (EBP), and Community Development Advance (CDA) program through training and program enhancements (technological, program design, other).
- Continue to offer Community Development Consultations (CD Consults) with members to identify housing and economic needs and business opportunities and promote the Bank's community investment programs (CDA, AHP, and EBP).
- Offer standby and confirming Letters of Credit for targeted residential housing finance and community-lending initiatives.
- Continue to use technological resources to effectively distribute information and educate members and other partners about affordable housing and economic development topics and technical assistance training about how to use the AHP, EBP, and CDA.
  - This includes the Bank's website, the Housing and Community Investment department online newsletter, print and other publications highlighting the use of the Bank's resources to promote housing and economic development.
- Continue to help identify new trends and issues in affordable housing and community-economic development across New England.
  - This includes working with other public and private funders, institutions such as the Citizens' Housing and Planning Association (CHAPA), the New England Housing Network, the Connecticut Housing Coalition, HousingWorks Rhode Island, the Partnership for Strong Communities, the Opportunity Finance Network, and other regional and/or statewide community development organizations.
- Continue the Grants for New England Partnerships program (GNP) based on the availability of funding.

### **Quantitative Targeted Community Lending Performance Goals for 2013**

1. Conduct at least three outreach activities to respond to the six primary priorities for 2013 or other community development priorities based on the interest of members, the Advisory Council, and community stakeholders, and the availability of funding;
2. Develop and conduct an online community development survey of member financial institutions, sponsors, other funders, and other stakeholders as part of the 2014 Community Lending Plan market research and needs analysis;
3. Continue to research and implement program enhancements to facilitate broader participation in the AHP by revolving loan funds and CDFIs, including:
  - Technical assistance training and events; and
  - Consideration of programmatic changes within the governing AHP Regulation;
4. Continue research to determine whether and how to implement a disaster-response program as a subset of the Equity Builder Program; and
5. Research affordable housing/community development topics to further understand how to expand the role of private sector capital.
  - This may lead to innovative ways to use existing FHLB Boston housing and community investment programs, new financing options, or new product development options.

## **Appendix A: National and Regional Affordable Housing and Community-Economic Development Needs and Market Opportunities**

***Priority I: Production and preservation of quality, affordable housing stock are essential building blocks for New England's communities.***

In *the State of the Nation's Housing: 2012*, the Joint Center for Housing Studies reports that housing cost burdens are both increasing in absolute numbers and worsening for many homeowners and renters.

- Nationally, more than 37 percent of all American households pay more than 30 percent of monthly income for housing.
- More than half of these cost-burdened households are paying more than 50 percent of monthly income for housing.
- Housing cost burdens among households earning less than \$15,000 annually are rising and make up the majority of all households with cost burdens. The economic instability resulting from the Great Recession has exacerbated this trend.
- At the same time, the rate of growth of severely cost-burdened households with incomes between \$15,000 and \$29,999 increased rapidly from 2007 to 2010.
- Renters make up more than 50 percent of these severely cost-burdened households and 27 percent of all renters are severely cost-burdened.
- As expected, unemployment, persistent joblessness, and education levels are critical factors contributing to whether a household is cost-burdened or not.
- This is both an urban and rural challenge.
- Rental vacancy rates are tightening in many markets and rents may be rising. While it is a positive sign that multifamily housing starts are increasing, this is not offsetting the tightening rental market.
- Rising and deepening housing cost burdens deplete households' ability to meet other needs (food, clothing, education, healthcare, retirement).
- Nationally, the supply of existing affordable housing has declined from 2001 to 2010, with the gap between supply and demand doubling by 2010. This was worsened by trends in demolition and conversion to higher rents. (*Joint Center for Housing Studies, 25-29*)

The National Low Income Housing Coalition *Out of Reach 2012* reports that wages needed to afford a two-bedroom apartment has increased across New England both statewide and in metro and non-metro areas. Connecticut, Massachusetts, and New Hampshire exceed the national average housing wage. Similarly, the Stamford-Norwalk and Danbury, Connecticut metro areas and Nantucket, County Massachusetts are among the most unaffordable locations nationally. Nonmetro areas in Massachusetts, Connecticut, New Hampshire, and Vermont are among the most expensive nonmetro areas in the county.

Region	2012 Housing Wage	2012 Mean Renter Wage	2012 Gap
U.S. Average	\$18.25	\$14.15	\$4.15
<b>Connecticut</b>	<b>\$23.58</b>	<b>\$15.81</b>	<b>\$7.77</b>
Maine	\$15.10	\$9.82	\$5.28
<b>Massachusetts</b>	<b>\$22.84</b>	<b>\$16.94</b>	<b>\$5.90</b>
<b>New Hampshire</b>	<b>\$19.29</b>	<b>\$13.13</b>	<b>\$6.16</b>
Rhode Island	\$17.78	\$11.64	\$6.14
<b>Vermont</b>	<b>\$18.77</b>	<b>\$11.06</b>	<b>\$7.71</b>
<b>Stamford-Norwalk, CT MSA</b>	<b>\$34.02</b>	<b>\$21.26</b>	<b>\$12.76</b>
<b>Danbury, CT MSA</b>	<b>\$29.08</b>	<b>\$21.26</b>	<b>\$7.82</b>
<b>Nantucket County, MA</b>	<b>\$34.60</b>	<b>\$16.48</b>	<b>\$18.12</b>
<b>Non-metro MA</b>	<b>\$31.08</b>	<b>\$15.34</b>	<b>\$15.74</b>
<b>Non-metro CT</b>	<b>\$19.89</b>	<b>\$10.42</b>	<b>\$9.47</b>
Non-metro NH	\$17.42	\$12.34	\$5.08
Non-metro VT	\$17.20	\$10.43	\$6.77

Housing Wage refers to the wage needed to afford a two-bedroom apartment at the fiscal year 2012 HUD fair market rent. (NLIHC, *Out of Reach 2012*)

Data indicate that there is some recovery in terms of for-sale home prices, but this trend is not fully established. The S&P/Case-Shiller Home Price Indices show that as of September 2012 the national composite (+3.6 percent) and both the 10-City and 20-City composite indices (+2.1 percent and +3.0 percent respectively) were positive for the third quarter 2012 year over year. The gains appear consistent and show increases nationally for six consecutive months; it remains to be seen if this trend will continue. In September, S&P/Case-Shiller noted a slightly drop in housing prices in Metro Boston, offsetting minor gains earlier in the third quarter. Year over year it appears that average home prices have posted a 1.9 percent increase. Overall it appears average home prices have returned to mid 2003 levels. (*S&P Dow Jones Indices, November 27, 2012*)

Housing sales and starts remain below pre-recession levels and indicate that any recovery is not robust at this point. Overall sales volume has remained below pre-recession levels for the past five years. Housing starts remain around 500,000 annually, roughly the same for the past three years, and again below pre-recession levels. (*S&P Dow Jones Indices, "Sales volume still low", September 5, 2012*)

Overall the national homeownership rate continues to fall. In 2011 the rate was 66.1 percent and certainly varies by state, intrastate, and by other socio-economic and demographic factors. (*Joint Center for Housing Studies, 3*) As noted in the community development action and consolidated plans, supporting the development, rehabilitation, and affordability of for-sale homes remains a priority in Connecticut, Maine, Massachusetts, and Vermont.

Ending homelessness, and in particular chronic and veterans' homelessness, continues to increase as both a federal and state-level priority. Based on the U.S. Interagency Council on Homelessness's 2010 strategic plan, there is an estimated 107,000 veterans experiencing homelessness nationwide on any given night, of which 44,000 to 66,000 are estimated to be chronically homeless. Veterans account for eight percent of all homeless, and within New England this may be higher (9.5 percent in New Hampshire and 9.1 percent in Vermont.) (*U.S. Interagency Council on Homelessness, Opening Doors*) The number of homeless veterans is only expected to rise as veterans return from Iraq and Afghanistan. Increased federal capital and operating support through HUD and the VA are available. The various state-level housing and community development plans and QAPs also recognize the importance of supportive housing to redress homelessness.

### **Connecticut**

Connecticut continues to have high housing costs, especially in the metropolitan areas. Personal income has been falling since 2007, and although the median housing price has fallen as well, there remains a gap between what families can afford and what housing costs. August 2012 data from the Warren Group show that single-family home sales prices have declined and sales volume has also slowed.

Recapitalizing state public housing is a central priority. Governor Dannel Malloy has authorized, with the approval of the General Assembly, a 10-year, \$500 million commitment to affordable housing, known as the CHAMP initiative. Three hundred million will be used by the Connecticut Department of Economic and Community Development and the Connecticut Housing Finance Authority for preservation and revitalization of existing public housing. In addition to direct construction through CHAMP, the state anticipates identifying and prioritizing the physical and capital needs for approximately 14,000 units of state public housing.

The Connecticut Coalition to End Homelessness published the annual "State of Homelessness in Connecticut" in May of 2012, which found that in the last year, the demand for shelter was up 20 percent, which included 15 percent more families. It is estimated that one third of the homeless population are people in families with children. Seventy-seven percent of clients in emergency shelters reported economic insecurity: joblessness, underemployment or other income issues led to their homelessness. The demand for services has filled shelters to capacity, and street homelessness is up 37 percent in the past two years. The federally funded ARRA Homeless Prevention and Rapid Re-Housing Programs did provide some temporary relief, but the demand for these services outstripped their supply. The program was initially anticipated to serve 1,500 households in the three years it was authorized, has had 88,000 calls, and assisted almost 9,000 households in the first two years. There is no new state funding for homeless shelters, however. Finding permanent and supportive housing for homeless individuals and families remains the policy goal.

## **Maine**

The housing priorities identified in the 2013 QAP remain development of cost-effective affordable rental, supportive, and elderly housing, preservation of existing affordable housing stock, energy-efficiency improvements, and homelessness. There are over 400 U.S.D.A. Rural Development-funded initiatives in Maine, which are typically smaller and many have growing capital needs. A portion of the competitive nine percent federal low income housing tax credit allocation will be set aside for projects which preserve existing affordable units with Section 8 or Rural Development funding.

The cost of housing continues to outpace increases in median income. Median home prices have increased 50 percent over the last 10 years, but median income has only increased 27.5 percent.

Maine's poverty rate has remained at around 12 percent for the last four years. As expected, poverty is highest in the rural areas and lowest closest to job centers.

While Maine continues to have a high rate of homeownership greater than the national average (74.2 percent versus 66.1 percent in 2011), there has been little new production and most of the ownership stock continues to be among the oldest in the country.

## **Massachusetts**

Preserving affordable housing continues to be a high area of focus and is one of the four priority categories in the 2012 QAP. The Community Economic Development Assistance Corporation reports that many of the affordable housing initiatives (roughly 107,000 units) developed between the 1960's and mid-1980's are at point where owners can opt out of the affordability restrictions. Of these total units, slightly over 14,000 subsidized units have been lost through prepayments and rent subsidy contract terminations. There is a risk of losing 18,967 more subsidized units by December 31, 2015. Even if these continue to be affordable, they may not remain affordable to the same income group due to renegotiated affordability agreements.

Among its funding programs and the QAP, Massachusetts continues to prioritize housing for extremely low-income (below 30 percent AMI) individuals, families, and seniors who are most at-risk for homelessness, investment in distressed and at-risk neighborhoods, family housing, and mixed-use developments, and/or housing in locations that encourage and support community development and job growth.

Rental demand continues to outstrip existing supply and new production. Per the QAP, as new tax credit projects came on line in certain communities, the number of applicants per unit exceeded 35:1. Rental vacancy rates in some metropolitan areas are less than 5 percent. According to the Dukakis Center for Urban and Regional Policy, the vacancy rate in Greater Boston has decreased from 3.8 percent to 3.1 percent. As demand has increased, rents have increased.

The Massachusetts Governor's Office created the Commission for Public Housing Sustainability and Reform in January 2012. The Commission is charged with creating a modern, sustainable public housing infrastructure that is able to invest resources efficiently, implement effective innovations, provide enhanced services to residents, and increase transparency and

accountability. The Commonwealth has 45,600 units of state-assisted public housing spread across 240 Massachusetts communities. These units have a backlog of \$1.6 billion in capital and operating needs. Among its findings, the Commission recommends standardizing property management systems for small and medium-sized housing authorities, and consolidating finance and accounting operations and supervision at a regional level.

### **New Hampshire**

New Hampshire continues to focus its housing and community development resources to develop and preserve affordable housing to meet a wide range of needs across the state. The priorities include:

- Affordable rental housing for low- and very-low income families;
- Very-low income special needs populations;
- Homelessness;
- Family projects in locations with no affordable housing;
- Projects with new rental housing assistance subsidy;
- Projects with leveraged funds;
- Projects at an advanced readiness state; and
- Projects located in designated zones, such as enterprise zones, Main Street Programs or historic districts.

The rising cost of developing affordable housing is an increasing focus as well. Within the QAP scoring framework, New Hampshire Housing Finance Authority will carefully review the cost per unit for each application, penalizing applications which exceed the average total development cost in the round by ten percent. (*New Hampshire's 2012 Action Plan, 2011-2015 Consolidated Plan, 2012 Qualified Allocation Plan*)

### **Rhode Island**

Safe decent affordable housing remains out of reach for much of Rhode Island as rental costs increase and the inventory decreases. Forty percent of the state's residents rent their homes, and 25 percent of renters are considered extremely cost burdened, paying over 50 percent of their income towards rent. HousingWorks RI reported in February 2012 rental prices for a one bedroom have increased 47 percent from 2001-2010. A two bedroom apartment has increased similarly, by 50 percent. Rent for a three-bedroom unit has increased a staggering 75 percent from 2001-2010. Rhode Island's rental housing stock has also been impacted by foreclosure. Statewide, one-third of the actual foreclosures are multifamily properties, representing a loss of 6,300 rental units. It is estimated that there is a deficit of 13,249 affordable homes needed in the state. (*HousingWorksRI, Issue Brief, February, 2012*)

On the homeownership side, record low mortgage rates have contributed to a slight increase in the sales of ownership units, particularly for the state's younger demographic as they weigh high rental costs against the cost of ownership. Home sales through June 30, 2012 were 2,124, up from 1,807 in 2011. Median prices also declined slightly, from \$205,000 to \$192,000. Ongoing tightening of mortgage standards and down payment requirements continue to be some of the main obstacles to homeownership.

The federal low income housing tax credit program is anticipated to be the primary mechanism for the creation of new affordable rental and ownership inventory as the state historic tax credit and Neighborhood Opportunity Program were not reinstated. A \$25 million housing bond bill is supported by the Governor and the General Assembly and will go before the voters in November 2012. State funding, per the QAP, is prioritized to communities most heavily impacted by the foreclosure crisis, balanced with the need to provide affordable housing communities in areas with few existing opportunities.

Homelessness continues to be an issue in Rhode Island and has been increasing steadily since 2006. Family homelessness continues to rise; the Rhode Island Homeless Coalition estimates one in four homeless individuals is a child. Women also make up 46 percent of the homeless population, and shelters, facilities and other resources for women and families have not been able to keep up with demand. In June of 2012 Rhode Island passed the first Homeless Bill of Rights in the United States, banning discrimination against homeless individuals and affirming their right to jobs, housing and services.

### **Vermont**

The 2012 QAP establishes priorities similar to the other New England states. These include: rehabilitation including lead paint abatement, energy efficiency upgrades, infill or new construction in housing markets with a vacancy of 3.5 percent or less, or in housing markets with insufficient housing stock or affordable housing. The QAP also targets family housing, housing in a downtown or village center, projects that are removing blight, or special needs housing.

Per the draft 2012 Action Plan and consistent with the 2010-2015 Consolidated Plan, the primary focus is to create housing and employment opportunities and the incorporation of smart growth objectives including development in downtown and village centers. Vermont remains committed to ensuring perpetual affordability.

As of March, 2012, according to the CDBG program evaluation, 410 affordable housing units had been created. New housing construction in Vermont has always been relatively slow, but dropped off considerably due to the recession. To meet the demand for new housing units in the next five years, construction of rental and homeownership housing would have to double.

As discussed under Priority IV, Vermont's citizens, businesses, and communities continue to recover from the damage caused by Tropical Storm Irene. Considerable progress has been made and significant additional short- and long-term work remains.

### ***Priority II: Unemployment, job growth and retention, and small business development are first order economic development priorities across New England.***

Member financial institutions identified unemployment, credit quality of low-to-moderate income households, and credit quality of small businesses as the top three housing and economic development challenges in New England in a July 2012 survey by the FHLB Boston.

<b>Top Three Housing or Economic Development Challenges</b>	<b>Weighted Responses</b>	<b>Rank of Priority</b>
Unemployment	103.000	First
Credit Quality of Low-to- Moderate Income Households	98.625	Second
Credit Quality-Small Businesses	63.625	Third
Home Foreclosures	62.250	Fourth
Affordable Homeownership	60.750	Fifth
Small Business or Commercial Loan Delinquencies	32.250	Sixth
Affordable Rental Housing	31.625	Seventh
Homelessness	11.625	Eighth

Source: FHLB Boston, July 23, 2012.<sup>1</sup>

In addition to the survey results, anecdotal evidence from member institutions indicates an interest and willingness to lend. Lower credit quality and overall lower loan demand limit the available credit for small businesses. Community Concepts, a community development financial institution (CFDI) in Maine reported in July 2012 that while micro loan applications have increased, businesses without three years' worth of financial records are not fully credit-ready. These entrepreneurs need additional small business technical assistance to further develop business capacity in order to obtain credit in the future. (FHLB Boston, July 31, 2012) Moreover, as observed at the "Meet the Lenders Maine for Small Business" forum in April 2012, lenders are interested in lending and an experienced network of nonprofit and volunteer small business counselors (e.g. Women, Work and Community or SCORE) are available to provide technical assistance to help existing small businesses and entrepreneurs get off the ground.

As the table below shows, unemployment varies significantly by state within the New England region.

#### **Selected Unemployment Rates in New England (percentage)**

	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12
CT	8.9	8.6	8.1	7.7	8.1	8.9
ME	7.6	7.4	7.0	7.2	7.5	7.6
MA	7.4	7.2	6.9	6.5	6.0	6.5
NH	5.5	5.4	5.2	5.2	5.1	5.7
RI	11.4	11.3	11.0	11.1	10.9	10.5
VT	5.6	5.5	5.2	4.8	4.7	5.4
New England	7.9	7.6	7.2	7.0	6.8	7.4
U.S.	9.1	9.0	8.5	8.2	8.2	7.8

Source: Bureau of Labor Statistics, U.S. Department of Labor, News Release 12-1616-BOS, August 6, 2012; News Release 12-2230-BOS, November 5, 2012.

<sup>1</sup> FHLBBoston conducted an online Zoomerang survey of chief executive officers and chief financial officers representing the Bank's shareholders on July 23, 2012. 190 full responses were received. Weighted average is calculated based on rank order of preferences.

Double digit unemployment continues to plague Rhode Island, and is the second highest in New England and the nation. As of September 2012, Rhode Island's unemployment rate of 10.5 percent is the second highest in the nation, behind Nevada at 11.8 percent. Rhode Island continues to emphasize the growth in the innovation economy, through the Rhode Island Economic Development Corporation in health care, financial services, marine products and defense and manufacturing sectors. Higher education continues to be a source of employment. However, average wages in Rhode Island lag behind the national, and regional, averages. Unemployment, under employment and stagnating wages have direct impacts into the housing market, particularly unemployment is frequently cited by homebuyers as the cause of mortgage delinquency.

Unemployment has fluctuated in Connecticut but remains second highest in New England and above the national average. In response to the economic slowdown, in October 2011, the Department of Community and Economic Development passed a jobs bill which established \$100 million in loan funds for small businesses. Administered by the Community Economic Development Fund, the funds will be available to businesses based in CT with less than 50 employed. Available as either term loans or lines of credits, the loan funds will provide a fixed rate of 4 percent with terms of up to five years. This funding will help small business in the state grow and create new jobs.

In Maine, statewide unemployment remains lower than the national average but varies among different communities within the state. Washington County continues to have highest levels of unemployment at 11 percent. Most of the job gains have been in the service and health care sectors. Predictably, service centers in Southern and Coastal Maine have seen more growth than the rural and Eastern counties of the state. Small business remains an economic development focus. CDFI's and community action agencies continue to be incubators for small businesses and housing development. Some of the areas where they have helped to fund innovation have included healthy foods initiatives, fisheries and aquaculture.

Massachusetts has continued to fare slightly better than the nation in terms of unemployment. The largest gains have been in education, professional, scientific and business services. All of these fields require higher education and advanced training. The 2012 Massachusetts Clean Energy Report published by the Massachusetts Clean Energy Center reported an 11.2 percent growth rate in the renewable energy economy from July 2011 to July 2012. According to the report 71,523 people throughout 5,000 companies are involved in the clean energy sector including those involved in renewable energy, energy efficiency, alternative transportation, and carbon management. Other related fields reporting growth in this area include construction, manufacturing and research in development.

New Hampshire and Vermont continue to fare relatively well in terms of unemployment rates compared with New England and the nation but continue to see gains and losses. Unemployment rates in Vermont fell from 5.6 percent in June 2011 to 4.7 percent in June 2012 but rose to 5.4 percent in September 2012. Similarly unemployment rates in New Hampshire fell from 5.5 to 5.1 percent from June 2011 to June 2012 but then rose to 5.7 percent in September 2012. Vermont will remain focused on job creation and retention especially for lower income persons, support a diverse employment base, and provide access to credit for community

development initiatives promoting long-term economic and social viability. The state departments of Economic Development and Labor will run programs will run programs to recruit and grow businesses, invest in value-added national resource production, train workers, and encourage export trade.

***Priority III: Home foreclosures response and prevention efforts are needed to assist families in foreclosure, educate to avoid future foreclosures, and move foreclosed housing stock back into productive use.***

The number of foreclosures varies greatly by state and neighborhood across New England. Based on the extent of the problem, states and other stakeholders are working simultaneously on dual fronts to address the foreclosure challenge by both focusing on consumer protection and assisting homeowners and also working through the foreclosed inventory to rehabilitate and sell the properties. The foreclosure listing website service RealtyTrac, Inc. reported that nationwide foreclosure starts in July 2012 have increased six percent year over year but at the same time foreclosure filings and overall foreclosure activity decreased on a monthly and yearly basis (3 percent and 10 percent declines respectively). (*RealtyTrac, Inc., July 2012 U.S. Foreclosure Market Report*)

Connecticut is impacted by falling home prices and a high rate of foreclosures. RealtyTrac, Inc. estimates it takes 656 days for a Connecticut bank to seize a home, the fourth longest time in the nation. Connecticut July 2012 foreclosure filings are up 139 percent over a year earlier. Single-family home prices fell 4.7 percent in the second quarter, the biggest decline of any state, which is contrasted by a three percent increase nationally. Furthermore, costs in high-cost communities, like Fairfield County, have fallen even further than the rest of the state (12.9 percent reduction in second quarter 2012 compared to a year ago. This ranks as the biggest decline among the 147 U.S. metropolitan areas measured by the National Association of Realtors. (*Bloomberg Businessweek, August 28, 2012*)

Maine has the second highest foreclosure rate in New England. In spring 2012, 3.4 percent of Maine's homes with a mortgage (1.4 million households) were in the foreclosure process. The number of actual foreclosures increased steadily throughout 2011. Unlike unemployment, foreclosures were highest in the population centers, with the greatest numbers in York, Cumberland, and Androscoggin counties.

Maine's foreclosure diversion program began in 2010 and has been successful in helping homeowners avoid foreclosure. Counseling is provided by the network of HUD-approved, nonprofit counseling agencies throughout the state. In 2011, 460 households were able to avoid foreclosure by negotiation loan modifications. The rate of referrals and modifications has remained steady through the first half in 2012.

While foreclosures in Massachusetts are rising in 2012, this may be an indication that lenders are working through their backlog of foreclosures and that the real estate market is inching towards recovery, as reported by the Massachusetts Foreclosure Monitor. Eighteen of the 30 most distressed communities had lower rates of distress in summer of 2012 than compared to a year

ago. The Massachusetts Foreclosure Monitor also noted that, statewide, less than a quarter of the buyers of foreclosed properties are purchasing multiple properties. This is an indication that a greater number of buyers are purchasing distressed properties as their primary residence and lessens the risk that investors are buying up short sales and distressed properties to flip or lease as absentee landlords. Massachusetts has also passed new legislation this year providing changing foreclosure practice and requiring additional loan modification assistance. Foreclosure counseling, loss mitigation and loan modification, and prevention remain critical policy responses to address this continuing problem.

Although the rate of foreclosure filings and serious delinquencies declined in Rhode Island in 2011, the number of actual foreclosed properties increased from 2010 to 2011 at 1,891 and 2,009 respectively. Providence County continues to be the area with the most concentrated foreclosures, in particular the cities of Central Falls and Providence and their triple-decker inventory. Woonsocket, Pawtucket, North Providence and Warwick are also significantly affected, with foreclosures representing over five percent of their mortgaged housing inventory.

The city of Providence has proposed the first in the state ordinance addressing the foreclosed and abandoned inventory in the city, which requires owners to register foreclosed properties with the City, and to keep the property in decent condition, or face fines. Fines address such issues as building security, pests, trash, and graffiti.

The Hardest Hit Program, through the US Treasury, provided \$79 million to Rhode Island to identify and implement solutions to prevent foreclosures. As of June 2012, the program has assisted over 1,700 families through loan modifications and mortgage payment assistance, allowing this vulnerable population to remain in their homes. According to Rhode Island Housing's most recent report to the Treasury, of the individuals seeking assistance through the Hardest Hit Program, 65 percent cite unemployment as the cause of their financial difficulty. Ninety percent of the buyers assisted have household income below 80 percent of Area Median Income.

Improving employment data in New Hampshire correlates with reduced mortgage delinquencies and reductions in the number of foreclosures from 2011 through 2012. Mortgage delinquency rates have dropped from over nine percent in 2009 to 6.3 percent in the first quarter of 2012, although still above the pre-recession rate of less than four percent. The number of foreclosures is down three percent year-over-year (311 as of June 2012) and continues to decline, barring any further economic downturn.

Vermont does not have a foreclosure problem compared to southern New England. Foreclosures have been decreasing since 2011 (from 1370 to 811 as of June 2012) and, per Realty Trac, are basically at a zero percent foreclosure rate statistically. Unemployment is the most often cited cause of foreclosures in Vermont.

Additional assistance to consumers will be coming in the form of a \$25 billion, joint federal-state settlement between five large mortgage servicers and 49 state attorneys general and the federal government in early 2012, as a result of the servicers' misconduct and role in the financial and foreclosure crisis. The settlement will provide direct relief and monetary payment to consumers,

through principal reductions, refinancing relief, and direct payments to individuals who have lost their homes unjustly to foreclosure.

***Priority IV: Recovery from natural disasters presents significant challenges and opportunities.***

In August 2011, Tropical Storm Irene caused significant and widespread damage to homes, businesses, farms, and infrastructure in Vermont, western Massachusetts, and Connecticut. In October 2012, Tropical Storm Sandy caused considerable disruptions in many communities primarily in Connecticut and Rhode Island but other parts of New England as well. Other parts of New England have also experienced challenging events, such as tornado damage in Springfield and surrounding communities in Massachusetts.

The damage caused by Irene in Vermont was unprecedented with 225 Vermont municipalities impacted. Over 3,500 homes were damaged, including 681 with damage exceeding \$10,000. Sixteen mobile home parks and over 500 mobile homes were damaged. Agricultural losses are estimated at over \$10 million. Business losses were numerous and the storm caused significant damage to roads, bridges, and railroad bridges and rail lines.

Recovery efforts require action on multiple fronts. This includes replacement of the lost housing stock, business assistance and relocation, rebuilding civic buildings and infrastructure. These responses present opportunities for strategic planning and business investment as well. Homeowners of all incomes may need assistance rebuilding. Lower income households will likely need assistance affording replacement manufactured or mobile homes. Businesses need technical assistance, financing, and likely grants to recover, rebuild, or relocate. If a homeowner, renter, or business owner had credit issues prior to the storm, these are magnified and require counseling and assistance as well as disaster assistance.

Communities, residents, and local and state government agencies in Vermont are responding comprehensively to the immediate needs and to envision longer term recovery. This includes legislative changes to respond to issues raised, new program development, and marshalling current and future resources for redevelopment. Volunteers are organizing to rebuild homes and clean up agricultural lands. Multiple agencies are providing small business technical assistance and other funding. This work is not complete. Considerable redevelopment efforts and funding are needed.

Future disaster preparedness and planning is also important. Connecticut is responding with coordinated longer-term preparedness assessment and planning. Vermont has engaged a network of long term recovery committees, and is engaged at local and state levels to evaluate the storm's impact, plan for longer term redevelopment, and strategize from a comprehensive planning perspective how to plan for future natural disasters.

***Priority V: Encouraging sustainable development building practices and strategic land-use decisions is critical for long-term community stability.***

Energy-efficiency and sustainable development remain high priorities for Vermont. Development in downtown areas and green building design are top tier funding priorities established in Vermont's current Consolidated Plan and the QAP. The green building design standards include energy efficient standards, building operation and maintenance efficiency and durable materials. This is similar in the Connecticut and Rhode Island QAPs as well.

Incentive Housing Zone legislation, passed in 2007, is slowly gaining a foothold in Connecticut. As of July 2012, eleven communities have adopted Incentive Zoning, including Old Saybrook, CT, where the first IHZ project was completed, in partnership with AHP and Liberty Bank. To date a total of 65 out of Connecticut's 169 municipalities are in some stage of participating with the IHZ program. Through the program, municipalities are eligible for incentives for concentrated development in locations that have access to transportation, amenities and existing infrastructure.

While the Maine 2013 QAP continues to reward initiatives developed in growth areas and within safe walking distance to amenities, the QAP has an equal or greater focus on cost containment. Consequently, MaineHousing has eliminated its Green Building standards and are examining standards to avoid unnecessary costs to projects. One possible implication is that these cost limitations may exclude higher cost locations near town centers. Most of Maine continues to be dependent on oil and both the residential and commercial sectors are impacted by rising energy costs. Efficiency Maine offers Property Assessed Clean Energy (PACE) and PowerSaver Loan Programs which allow home owners to finance energy efficiency upgrades.

Massachusetts continues to prioritize sustainable development in its funding priorities. The state's 2007 sustainable development principles highlight development and revitalization in town centers, reusing existing sites, and locating residential development near community services and employment centers. The Massachusetts 2012 QAP recognizes that housing affordability is tied to transportation costs, prioritizing developments located in close proximity to public transportation. All of this translates into scoring priorities based on location and resource- and energy-efficient building design and operation, such as building envelope, systems, indoor air quality, or stormwater management.

Rural states like New Hampshire experience difficult challenges in the area of energy and sustainable development. Transportation and energy continue to be issues for the state. High transportation and energy costs have added to the inability of low- and moderate-income families to afford decent housing and to secure jobs. Rising energy costs are stressing the operating budgets of many existing assisted housing projects. To this end, the state will be combining \$2.7 million of HOME funds with \$1 million of Regional Greenhouse Gas Initiative funds to provide energy efficiency improvements to existing affordable housing, with priority given to projects in New Hampshire Housing's portfolio. This program will provide an opportunity to greatly improve building energy efficiency for projects that cannot afford or otherwise do not wish to participate in the more extensive rehabilitation that would be required under a traditional Authority refinancing.

As noted earlier, policymakers in New Hampshire are working to balance the benefits of supporting better building practices to enhance energy-efficiency and the added costs given the limited availability of public funds, including scoring priorities for cost-effective development.

***Priority VI: Maintaining and expanding collaborative relationships with state housing finance agencies, other agencies, and stakeholders, such as community development financial institutions, are needed to respond to changing community needs.***

Maine has established hard and fast cost limits governing its affordable housing investment decisions.

In Massachusetts, the need for affordable housing continues to grow at a rate that exceeds available funding resources. Consequently, the Massachusetts Department of Housing and Community Development is implementing efforts to manage the pipeline of funding requests. Massachusetts has not yet adopted hard and fast cost per unit limits.

The cost of affordable housing development and preservation will remain a focus for the FHLB Boston.

## Appendix B: 2012 Community Lending Plan Goals and Results

### **Goal 1: Achievement of at least three community development outreach activities in one or more of the five primary priorities.**

The FHLB Boston conducted its community and member outreach efforts addressing each of the five primary priorities of the 2012 Community Lending Plan.

#### *Priority 1: Affordable housing production and preservation*

##### Maine Affordable Housing Coalition, Cost Containment forum, New Gloucester, Maine, January.

Sponsored by the FHLB Boston, the Maine Affordable Housing Coalition held a forum discussing the rising costs of affordable housing development and potential cost containment goals and strategies. Approximately 60 lenders, developers, and other stakeholders attended. Participants discussed meaningful ways in which developers could manage development costs. Participants also focused on proposed changes in Maine's low income housing tax credit Qualified Allocation Plan to incent lower cost development including total development cost and funding caps.

##### Vermont Disaster Recovery Lenders Roundtable, Randolph, Vermont. May.

Working with the Vermont State Housing Authority and the Randolph Area Community Development Corporation, the FHLB Boston organized a roundtable discussion addressing the damage caused by Tropical Storm Irene and the recovery efforts underway. The event was co-sponsored by the Vermont Bankers Association, Vermont Department of Housing and Economic Development and the Vermont Small Business Development Center as well. The purpose of the roundtable was to share information regarding the recovery efforts, but also to talk about disaster response in general, and how FHLB Boston might address future natural disaster events in its funding programs for New England. Approximately 50 percent of the member financial institutions in Vermont attended this roundtable discussion which generated multiple issues to explore and research as the FHLB Boston goes forward in addressing the impact of disasters on its members and their communities.

##### Tackling Affordable Housing Development and Preservation in a Changing Economy workshop, Northern New England Community Action Conference, Sunday River, Maine, May.

The FHLB Boston sponsored and moderated a roundtable discussion about development opportunities for community action agencies. Panelists included Bangor Savings Bank, Southwestern Community Services, and the U.S. Department of Housing and Urban Development. The discussion explored housing development options, risks, rewards, and funding opportunities with approximately 40 community action agency representatives.

Housing & Community Development Opportunities for Public Housing, Rockport, Maine, June. The FHLB Boston hosted a workshop on housing and community development opportunities for public housing authorities at the NERC/NAHRO 2012 annual conference. Panelists representing the NERC/NAHRO Legislative Committee, Brunswick Housing Authority, and the FHLB Boston discussed obstacles and opportunities for public housing authorities as they consider housing development or preservation activities. Panelists addressed new funding opportunities to achieve these development activities, including RAD (HUD rental assistance demonstration project) and the housing and community investment programs of the FHLB Boston. The discussion also focused on longer-term goals and concerns about sustaining public housing.

Business Opportunities in Community Development Lending:

- Manchester, New Hampshire, March.
- Burlington, Vermont, June.
- Meriden, Connecticut, November.

The Federal Reserve Bank of Boston, FDIC, Office of the Comptroller of the Currency, and other organizations sponsored a series of technical assistance and networking meetings for lenders and community development practitioners across New England. The FHLB Boston participated as keynote speaker in these meetings. These meetings explored opportunities for partnership and investment in affordable housing, small business financing, and other community-economic development initiatives.

*Priority 2: Unemployment, job growth, and small business development*

Economic Development Funding Supported by the FHLB Boston through the Community Development Advance Program

As a wholesale bank, the FHLB Boston supports economic development initiatives by providing funding to our member financial institutions who in turn use this funding to support their economic development and small business lending programs. Planned initiatives for 2012 included a continued commitment to increase member awareness of the Bank's Community Development Advance program as a resource for members in their efforts to respond to the ever-changing landscape of housing and economic development needs throughout New England. As part of its 2012 efforts to enhance funding options for members to help them respond to their community needs, the FHLB Boston redesigned the CDA Program to offer two program options and introduced an additional eligibility component that recognizes members' providing financing for economic development initiatives that serve households at or below 80 percent of the area median income.

As of November 28, 2012, the Bank committed \$1,136,278,305 to support 117 applications through the combined CDA programs representing 63 housing initiatives and 54 economic development initiatives. The specific target segments are noted below:

**Housing Initiatives:**

Total Approved	63
Owner Units	3,295
Rental Units	812
Total Members	42
Total Funds Approved	\$486,864,992
Total Disbursed	\$258,428,193

**Economic Development Initiatives:**

Total Approved	54	\$649,413,313
Small Business	42	\$621,884,000
Targeted Economic Development Initiatives	8	\$22,284,000
Serving Households at or below 80 percent of AMI	4	\$6,003,750
Jobs Create/Retained		100
Rural Initiatives Approved		22
Urban Initiatives Approved		28
Total Members		36
Total Disbursed		\$176,178,701

Meet the Lenders Maine for Small Business forum, Augusta, Maine, April.

Sponsored by the Federal Reserve Bank of Boston, the Small Business Administration, Women, Work, and Community along with the FHLB Boston, the event connected entrepreneurs and small business owners with lenders and technical advisors. Roughly 50 businesses, 39 lenders representing 21 institutions, and 35 resource partners participated. The meeting encouraged ‘lender matchmaking’ as individual business owners met one-on-one with individual lenders in 15-minute “speed dating” sessions, in a low-stakes approach designed to encourage additional follow up meetings. Lenders and business owners also had opportunities to connect with a range of small business resource partners like Women, Work and Community, SCORE, the Small Business Development Center for Maine, and others.

*Priority 3: Foreclosure response*

Rhode Island Foreclosure Series, Providence, Rhode Island, June.

The FHLB Boston sponsored the Housing Action Coalition of RI forum on the Rhode Island Foreclosure Settlement with the US Department of Justice. Guest speakers included Rhode Island’s Attorney General Peter F. Kilmartin who spoke about the recent national settlement and

work of his office in relation to mortgage and consumer scams. Barbara Fields, Regional HUD director also spoke about HUD's ongoing role in monitoring implementation of the settlement. The settlement will bring an estimated \$172 million to Rhode Island, to be used for consumer protection, foreclosure protection efforts, loan modifications, principal reductions, and cash payments to borrowers who lost their home through improper foreclosure.

Foreclosure Response and Prevention Roundtable, Hartford, Connecticut, December.

The FHLB Boston moderated a roundtable workshop addressing statewide efforts concerning foreclosure response and prevention as part of the annual Housing Conference in Connecticut. Representatives from the state Attorney General's office, Connecticut Housing Finance Authority, and the Connecticut Fair Housing Center discussed new federal-state foreclosure settlement funds and ongoing efforts to work with homeowners and other stakeholders to prevent, mitigate, or recover from foreclosure. Ongoing efforts included loss mitigation and loan modification programs, foreclosure counseling, prevention counseling, and efforts to raise consumer awareness about foreclosure loan modification scams.

*Priority 4: Energy and sustainable development*

12<sup>th</sup> Annual Affordable Housing Development Competition, Boston, Massachusetts, February to May.

This year, 38 graduate students with educational or professional experience in design, planning, public policy, and management partnered with five developers from Greater Boston, Lowell, Salem, and Holyoke to participate in the 12<sup>th</sup> Annual Affordable Housing Development Competition. The student teams, acting as development consultants, produced proposals that take their project from conception, through community planning, design, financing, and ultimately development. The proposals encompass physical design, community responsiveness, financing and feasibility, and sustainable development. The \$10,000 first-place award was shared between Caribbean Integration Community and a team comprised of students from Harvard and Northeastern Universities. The team's winning proposal envisioned a mixed-use development in the Grove Hall neighborhood of Boston, creating 45 affordable residential units for families and seniors and included an arts center, non-profit business incubator, music studio, and a commercial kitchen and café. A team from Boston Architectural College and Harvard University paired with the Holyoke Housing Authority won the \$6,000 second-place award for Lyman Gardens, reimagining public housing in Holyoke. The \$3,000 third-place winner (Boston Architectural College, Harvard, MIT, and the Asian Community Development Corporation) was Millicent Place located between Chinatown and the South End in Boston. The competition was sponsored by the Federal Home Loan Bank of Boston, the Boston Society of Architects/AIA, Kevin P. Martin & Associates, P.C., CHAPA, and ICON architecture, inc.

Grow Smart Rhode Island- Power Of Place Summit, Providence, Rhode Island, May.

The Federal Home Loan Bank sponsored GrowSmart Rhode Island's bi-annual Power of Place Summit at the Rhode Island Convention Center. Attended by over 400 individuals, the daylong conference included a Rhode Island Smart Growth Progress Report, Smart Growth Awards, and 22 workshops on topics ranging from *Public Private Partnerships* to *Addressing Climate Change: Sea Level Rise at our Doorstep*. Aging infrastructure, unsustainable pension costs, high

unemployment, high foreclosure and lack of affordable housing is in stark contrast to positive demographic trends, Rhode Island's walkable neighborhoods, cultural and art-focused communities and, well-poised densely developed energy-efficient neighborhoods. Panelists also cited several game changing projects, such as Warwick Station Development, East Providence Waterfront District and the revitalization of Providence's Jewelry District/ Knowledge District which were the subject of later in-depth workshops.

*Priority 5: Maintain collaborative relationships*

CDFI Focus Group, Portland, Maine, June.

As part of the Opportunity Finance Network's northeast regional meeting, the FHLB Boston conducted a presentation and focus group on the opportunities and challenges of applying for membership in the Bank. In total, 73 attendees representing 23 different CDFI organizations participated in the event. The presentation included a review of the basic eligibility requirements and benefits of membership and featured an interactive, audience-polling survey to solicit feedback from the CDFIs on their perspectives around the opportunities and challenges of applying for membership in the Bank. It also included a dialogue around alternative ways in which the Bank could facilitate the flow of capital through its member financial institutions to CDFIs.

Results from the survey indicate that CDFIs see value in obtaining membership in the Bank as a way of accessing capital to meet the affordable housing and economic development lending needs of the communities they serve, but also acknowledge the structural challenges in meeting the Bank's requirements for membership. In short, while there are some challenges that CDFIs must overcome to becoming members, the benefits and opportunities that membership will provide outweigh the obstacles. Key results included:

- 52 percent of CDFI respondents are interested in applying for membership, with 32 percent considering applying in 2012.
- 85 percent of the CDFI respondents indicated that access to long-term, on-demand capital in a variety of terms and maturities is the most important benefit of membership.
- 47 percent of the CDFI respondents reported that pledging eligible collateral to borrow from the Bank is an obstacle, while 29 percent believed that their current business models is not an exact match for membership.

HousingWorks Rhode Island Annual Fact Book, Providence, Rhode Island, September.

On Friday, September 28, 2012, the Federal Home Loan Bank sponsored HousingWorks Rhode Island's 2012 Fact Book release. The Fact Book provides data on housing affordability and availability for each of Rhode Island's 39 municipalities. The 2012 Fact Book focuses on how public investment in long-term affordable homes is vital to a sound economy and healthy communities. The luncheon was attended by over 120 business, labor, policymaker, community and housing leaders, including many member financial institutions.

**Goal 2: Maintain overall member participation in the outreach activities and utilization of the targeted community lending programs consistent with 2010 and 2011 levels including increasing the participation by at least 10 new members who have not recently participated in an outreach activity or accessed the Bank’s community lending programs.**

The Bank hosted 24 AHP, CDA, and EBP training sessions and webinars throughout New England in 2012. This included separate AHP webinars devoted for member financial institutions and revolving loan funds.

**Members Participating in FHLB Boston-organized Community Development Events  
2011 and January to November 2012**

<b>Activity</b>	<b>2011 Members</b>	<b>2012 Members</b>	<b>New Members for 2012</b>
CD Consults, Outreach	33	19	12
Forums, Trainings, Webinars	132	116	n/a
AHP	54	37	2
CDA	54	67	7
EBP	92	103	28

*Data is not cumulative.*

**Goal 3: Incorporate changes into the AHP to facilitate broader participation by community development financial institutions or other loan funds, explore strategies to help members access Community Development advances to support lending and investment in Community Development Financial Institutions or other loan funds, and continue to research new community-investment programs.**

In 2012, the FHLB Boston revised the AHP so that revolving loan funds can participate in the program. This included expanding the definition of a qualified sponsor organization to include revolving loan funds which are intending to lend and revolve AHP direct subsidy funds. The FHLB Boston has continued to research the AHP Regulation and make the necessary programmatic changes to the AHP application to facilitate broader participation by revolving loan funds.

The Housing and Community Investment department provided additional training resources specific to revolving loan funds, including a separate training webinar dedicated to revolving loan funds.

As noted above, the FHLB Boston convened a roundtable discussion in May 2012 to explore how our housing and community investment programs might be adapted to respond to housing needs emerging out of a natural disaster such as Tropical Storm Irene. The FHLB Boston has continued to research whether and how existing housing and community investment programs can be adapted to meet these needs. The overall program design and funding impacts as well as ensuring regulatory compliance remain critical factors to consider.

## **Appendix C: Regulatory Basis and Requirements of the Community Lending Plan and Fulfillment of the Community Support Program Requirement**

12 CFR 952.4 and 12 CFR 1290.6 require that the FHLB Boston establish and maintain a community support program that provides technical assistance to members, promotes and expands affordable housing finance, identifies opportunities for members to expand financial and credit services to underserved communities, and encourages members to increase their targeted community lending and affordable housing finance activities by providing incentives and technical assistance. The 2013 Community Lending Plan is an integral part of the FHLB Boston's program and, as such, also codifies the FHLB Boston's community support program overall.

12 CFR 952.4 also requires that the Community Lending Plan should:

- Include market research,
- Include a description of how the FHLB Boston will address identified credit needs and market opportunities,
- Consult with the Advisory Council, members, and other stakeholders in developing the Community Lending Plan, and
- Include quantitative targeted community lending performance obligations

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