

Federal Housing Finance Agency



Low-Income Housing and Community Development Activities of the Federal Home Loan Bank System

2009

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Introduction

The Federal Housing Finance Agency (FHFA) monitors and reports annually to the advisory councils of the 12 Federal Home Loan Banks (FHLBanks) on the FHLBanks' support and use of member advances for low-income housing and community development.

Within their larger, overall mission to support financing for housing and community investment, the FHLBanks administer three targeted and regulated housing and economic development programs:

- Affordable Housing Program (AHP),
- Community Investment Program (CIP), and
- Community Investment Cash Advance (CICA).

Through these programs, the FHLBanks help expand homeownership and rental opportunities for low-, moderate-, and middle-income households and finance economic development projects benefitting low- and moderate-income households and other targeted beneficiaries.

From 1990 through 2009, the FHLBanks awarded more than \$3.4 billion in subsidies under the AHP competitive application and homeownership set-aside programs, assisting in the purchase, construction, or rehabilitation of more than 600,000 housing units. Under the CIP and CICA programs, the FHLBanks made more than \$58.7 billion available in advance commitments to help finance more than 712,000 housing units and other economic development projects.

This report summarizes FHFA's 2009 regulatory initiatives and outreach activities related to the AHP, CIP and CICA programs. It also summarizes each of these programs' requirements and operations and provides aggregate data showing the results of these programs for the year and cumulatively from 1990 to 2009.

In addition, information on the FHLBanks' activities supporting low- and moderate-income housing and commu-

nity lending activities is available through each FHLBank's Advisory Council annual report and Community Lending Plan.

The Advisory Council for each FHLBank advises the FHLBank on low- and moderate-income housing and community lending programs and needs in the FHLBank's district and on the use of FHLBank funding for addressing those needs. Each Advisory Council submits an analysis of its FHLBank's low- or moderate-income housing and community lending activity to FHFA annually.

Each FHLBank publishes the Advisory Council's annual report on the FHLBank's website. Each FHLBank also must adopt an annual Community Lending Plan which assesses the credit needs and market opportunities for targeted community lending in the FHLBank's district.

FHFA posted the FHLBanks' 2009 Advisory Council annual reports and Community Lending Plans on FHFA's website under "Federal Home Loan Bank Information" and "Housing and Community Investments" at www.fhfa.gov.

Regulatory Initiatives

In 2009, FHFA adopted the following regulatory initiatives to implement the requirements of the Housing and Economic Recovery Act of 2008 (HERA) and to enhance the ability of the FHLBanks to respond to the mortgage crisis:

- ***FHLBank Affordable Housing Program Mortgage Refinancing Authority***—HERA amended the Federal Home Loan Bank Act (Bank Act) by adding a provision that required FHFA to temporarily authorize the FHLBanks until July 30, 2010, to provide subsidy funds from their AHP homeownership set-aside programs to their members to assist in the refinancing of low- or moderate-income households' first mortgage loans on primary residences.

In August 2009, FHFA published an interim final rule authorizing an FHLBank to use up to two-thirds of its homeownership set-aside allocation (35 percent of its statutorily required contribution) to assist in the refinancing of eligible households' first mortgage loans under eligible federal, state, or local government targeted refinancing programs where additional subsidy is needed.

This subsidy can be used to reduce the household's mortgage debt-to-income ratio, or outstanding mortgage loan principal, to meet the targeted refinancing programs' maximum mortgage debt-to-income or loan-to-value ratios.

- ***FHLBank Affordable Housing Program***—FHFA's August 2009 interim final rule also amended the method by which an FHLBank may account for accelerating future years' AHP contributions for use in the current year and increased the maximum amount that may be accelerated.

In addition, the interim final rule amended the Second District Priority scoring criterion under the com-

petitive application program, allowing the FHLBanks greater flexibility to use AHP subsidies to assist in the purchase and rehabilitation of foreclosed properties, as well as to establish other priorities for the awarding of AHP subsidies.

Outreach Activities

In 2009, FHFA renewed an emphasis on regular outreach to public stakeholders in the mission of the FHLBanks. The purpose of the outreach was to relay information on FHFA actions and initiatives and to gather information on current housing and community investment conditions and issues. The outreach activities included:

- *Affordable Housing and Community Investment Forum*—In December 2009, FHFA held its first Affordable Housing and Community Investment Forum in Washington, D.C. Housing and community investment experts from around the nation exchanged information and ideas regarding issues and market conditions affecting rural and manufactured housing. The forum served as a pilot for regular future FHFA forums with various industry experts. Such forums will inform FHFA in its policymaking with respect to the mission of the FHLBanks.
- *FHLBanks' Advisory Council Leadership Meeting*—In December 2009, FHFA held a meeting of the chairmen and vice chairs of the Advisory Councils of the FHLBanks. The Advisory Council leaders discussed with FHFA the FHLBank districts' housing needs and issues and how the FHLBanks' AHP, CIP, and CICA programs are meeting those needs.

Affordable Housing Program

The Bank Act requires each of the FHLBanks to establish an Affordable Housing Program to help subsidize the construction, purchase, or rehabilitation of 1) owner-occupied housing for households with incomes at or below 80 percent of area median income, and 2) rental housing where at least 20 percent of the units are reserved for households with incomes at or below 50 percent of area median income.

The subsidy may be in the form of a grant or a subsidized interest rate on an advance from an FHLBank to a member. (See 12 C.F.R. part 1291.) FHFA's AHP regulation permits the FHLBanks to use AHP subsidies to address a wide range of housing needs in their districts.

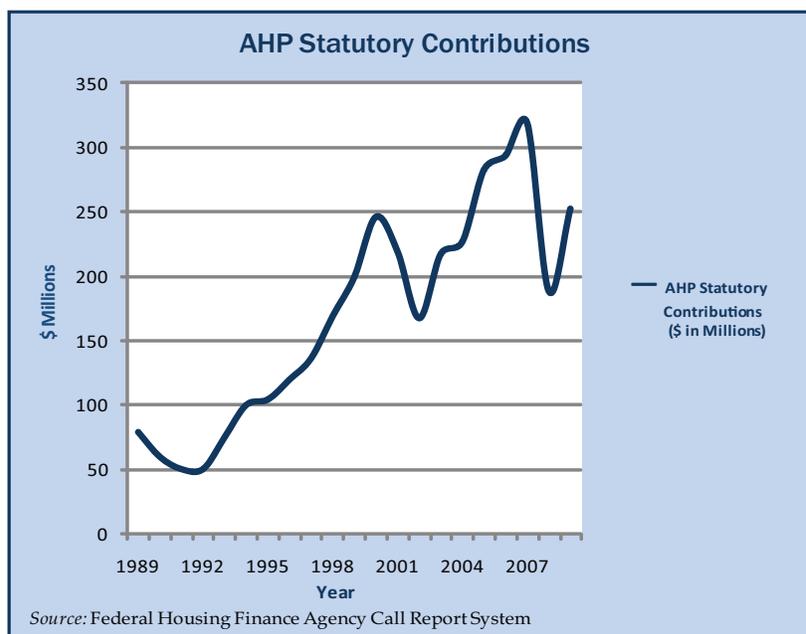
The Bank Act requires each FHLBank to contribute annually at least 10 percent of its previous year's net earnings to its AHP, subject to a minimum annual combined contribution by the 12 FHLBanks of \$100 million. From 1990 to 2009, the FHLBanks contributed more than \$3.4 billion to their affordable housing programs. In 2009, more than \$252 million in AHP subsidies was available nationwide, a 34 percent increase from the 2008 amount of \$188 million (see Figure 1).

Each FHLBank administers two AHP programs — a competitive application program and a home-ownership set-aside program. The majority of the



The Convent Hill in Milwaukee, Wisconsin, provides 120 LEED-certified rental units for very low- and low-income senior citizens. LEED stands for Leadership in Energy and Environmental Design. LEED certification indicates a construction project or building used environmentally friendly building practices during construction or remodeling.

Figure 1



AHP subsidy is made available through the FHLBanks’ competitive application programs, which are mandatory and generally comprise at least 65 percent of an FHL-Bank’s AHP annual statutory contribution. Housing funded under both programs normally uses a combination of AHP subsidies with other government and private subsidy sources.

The decision to offer a homeownership set-aside program is voluntary, although each FHLBank offers at least one. An FHLBank may annually set aside up to \$4.5 million, or 35 percent, of the FHLBank’s AHP annual statutory contribution, whichever is greater, to assist low- or moderate-income households in purchasing or rehabilitating homes or refinancing their first mortgage loans on primary residences. At least one-third of the FHLBank’s aggregate annual set-aside contribution must be allocated to first-time homebuyers.

Since the competitive application program began in 1990, FHLBanks have awarded more than \$3 billion total in AHP subsidies under that program to help finance more than 516,000 housing units (see Table 1). From 1995 to 2009, the FHLBanks awarded a total of nearly \$418 million in set-aside program grants, assisting more than 87,000 households.

Table 1. AHP Overview			
AHP Program	Time Period	Total Funds Awarded (\$ in Millions)	Total Housing Units
Competitive Application Program	1990 - 2009	\$3,004	516,808
Homeownership Set-Aside Program	1995 - 2009	\$418	87,794
Total AHP	1990 - 2009	\$3,422	604,602
<p><i>Source:</i> Federal Housing Finance Agency AHP database, as reported by FHLBanks. Data as of December 31, 2009, excluding withdrawn projects.</p>			

AHP Competitive Application Program

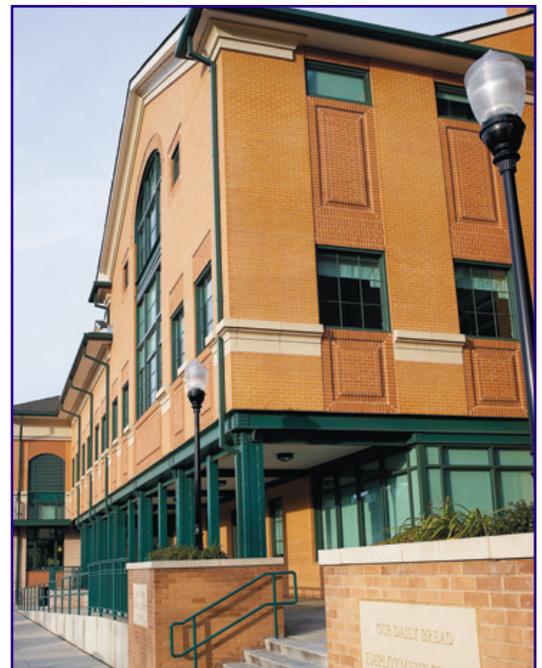
Under the AHP competitive application program, a financial institution may submit applications to the FHLBank of which it is a member on behalf of sponsors of eligible housing projects. Projects must meet certain statutory and regulatory requirements to be eligible for competitive application funding. AHP subsidies may be used to finance the purchase, construction, or rehabilitation of rental or owner-occupied housing projects, including single-family and multifamily projects.

Each FHLBank establishes a point allocation system for scoring applications based on nine criteria required by regulation. The FHLBanks award AHP subsidies in one or more scheduled rounds each year, starting with the highest scoring application until the total amount of subsidy available is exhausted.

Between 1990 and 2009, the AHP competitive application program helped finance the development of more than 500,000 housing units (see Table 2). In 2009, the FHLBanks awarded \$222 million to subsidize more than 23,000 rental and owner-occupied housing units, with nearly 80 percent of this amount supporting rental projects. Nearly three out of four AHP-subsidized units targeted very low-income households, with a larger share of rental units targeted for very low-income households.

AHP-assisted projects address a wide range of housing needs. For example, since the program's inception, the AHP has helped to finance housing for:

- Farm workers



Christopher Place Academy in Baltimore, Maryland, provides supportive housing for homeless men or men relocating from other treatment facilities. The center provides education and empowerment programs as well as 60 units of dormitory-style housing.

Table 2. AHP Rental and Owner-Occupied Housing Units				
	2009 Rental Units	2009 Owner-Occupied Units	2009 Total	1990 - 2009
Total Number of Awarded Projects	362	196	558	13,667
Subsidy Awarded (\$ in Millions)	\$174	\$48	\$222	\$3,004
Number of Housing Units	18,266	4,917	23,183	516,808
Average Subsidy per Unit	\$9,534	\$9,751	\$9,580	\$5,814
Number of Very Low-income Housing Units*	14,600	2,789	17,389	369,408
<p>Source: Federal Housing Finance Agency AHP database, as reported by FHLBanks. Data as of December 31, 2009, excluding withdrawn projects. *Very low-income is defined as households with incomes at 50 percent or less of the area median income.</p>				

- First-time homebuyers
- Households in rural communities
- Households on Native American tribal lands
- Households in disaster areas

In particular, a significant number of AHP projects have reserved at least 20 percent of their total units to assist homeless individuals and families or people with special needs, such as the mentally or physically disabled, elderly persons, and victims of domestic violence.

Since the program's inception in 1990, the FHLBanks have awarded AHP funding to 4,224 projects serving



Jefferson Avenue Apartments in Columbus, Ohio, is a 39-unit facility for women recovering from addiction.

Table 3. AHP Projects Serving Special Needs and Homeless Households		
	2009 Total	1990 - 2009
Total Number of Awarded Projects	558	13,667
Number of Projects with Units Reserved for Disabled Households ¹	143	2,608
Number of Projects with Units Reserved for Elderly Households ¹	81	2,445
Number of Projects with Units Reserved for Homeless Households ¹	158	4,224
Number of Projects with Units Reserved for Two or More Special Needs or Homeless Households	94	1,827
<small>Source: Federal Housing Finance Agency AHP database, as reported by FHLBanks. Data as of December 31, 2009, excluding withdrawn projects. ¹Projects with 20 percent or more of total units reserved for occupancy by such households.</small>		

homeless households (approximately 31 percent of all projects). Projects reserving units for disabled households and projects with units reserved for elderly households accounted for 37 percent of projects awarded since 1990. In 2009, approximately 26 percent of the awarded projects reserved units for disabled households, while projects supporting both elderly and homeless households represented approximately 43 percent. Since the program’s inception, more than 13 percent of the awarded projects reserved units for two or more special needs or homeless households (see Table 3).

Since 1990, the majority of AHP funding—more than \$2 billion (or 67 percent)—has supported projects serving urban communities (see Table 4). Approximately 73 percent of units in urban communities were targeted to very low-income house-



New Beginnings Housing Program in Two Harbors, Minnesota, provides six units of permanent and transitional rental housing.

Table 4. AHP Projects Serving Urban and Rural Communities			
	1990 - 2009 Urban Projects	1990 - 2009 Rural Projects	1990 - 2009
Total Number of Awarded Projects	8,682	4,985	13,667
Subsidy Awarded (\$ in Millions)	\$2,012	\$992	\$3,004
Number of Housing Units	369,783	147,025	516,808
Rental	294,231	88,532	382,763
Owner-Occupied	75,552	58,493	134,045
Average Number of Units per Project	43	29	38
Average Subsidy per Unit	\$5,443	\$6,748	\$5,814
Number of Very Low- Income Housing Units*	269,416	99,992	369,408
<p><i>Source:</i> Federal Housing Finance Agency AHP database, as reported by FHLBanks. Data as of December 31, 2009, excluding withdrawn projects. 2009 Competitive Application Program data does not include alternate applications approved during funding round. Dollars have been rounded. *Very low-income is defined as households with incomes at 50 percent or less of the area median income.</p>			

holds, while 68 percent of rural units were targeted to very low-income households. Urban projects were larger on average than projects in rural areas from 1990 to 2009. The average urban project included 43 units; rural projects averaged 29 units.

Between 1990 and 2009, the average AHP subsidy per unit was \$5,814. The average for urban projects (\$5,443) was 24 percent lower than for rural projects (\$6,748).

AHP subsidies are often used in conjunction with other sources of funds, such as the FHLBanks' CIP and federal, state, local, or private assistance programs. Of the 558 approved AHP projects in 2009, the HOME Investment Partnerships Program was the most frequently cited source of additional funding, helping finance approximately 40 percent of AHP-assisted rental projects and 35 percent of total AHP projects. The low-income housing tax credit (LIHTC) program was the additional funding source used most often for AHP-assisted rental housing in 2009. Overall, LIHTC program funds helped

finance 32 percent of AHP projects.

Other federal funding came from the Community Development Block Grant program (helping fund, more than 9 percent of AHP projects), Federal Housing Administration (2 percent), and various other federal housing programs (27 percent, collectively). (See Table 5.) Rental housing projects were more likely to receive funding from multiple federal sources than owner-occupied housing projects. Thirty-two percent of AHP projects approved in 2009 did not use federal program funding, a slightly lower percentage than in 2008 (39 percent).

Table 5. AHP Projects with Federal Program Funds				
	2009 Rental	2009 Owner-Occupied	2009 Total	1990 - 2009
Total Number of Awarded Projects	362	196	558	13,667
Number of Projects Receiving Funding from One Federal Source	147	67	214	5,188
Number of Projects Receiving Funding from Multiple Federal Sources	138	29	167	2,842
Number of Projects Not Receiving Funding from Federal Sources	77	100	177	5,637
Total Number of Awarded Projects Receiving Funding From:				
Community Development Block Grant (CDBG) Program	29	24	53	1,773
HOME Investment Partnerships Program	140	53	193	2,545
Low-Income Housing Tax Credit (LIHTC) Program	178	0	178	4,103
Federal Housing Administration (FHA) Programs	8	5	13	*
Other Federal Housing Programs	102	50	152	2,946
<small>Source: Federal Housing Finance Agency AHP database, as reported by FHLBanks. Data as of December 31, 2009, excluding withdrawn projects. *Data collected beginning in 2006. FHA programs total for years 2006-2009 is 46. Projects may use more than one federal funding source.</small>				

AHP Homeownership Set-Aside Program

Expanding homeownership opportunities for low- or moderate-income households is an important activity for the FHLBanks. Since 1995, the FHLBanks have been authorized to establish AHP homeownership set-aside programs and, over time, the maximum allowable share of AHP funding an FHLBank could allocate to its set-aside program has increased from 10 percent to 35 percent. An FHLBank may establish one or more AHP homeownership set-aside programs.

Members obtain the set-aside funds from the FHLBank and provide them directly to eligible low- or moderate-income households as grants not to exceed \$15,000 per household. The household uses the homeownership set-aside grants for down payment, closing costs, counseling, or rehabilitation assistance in conjunction with the purchase or rehabilitation of an owner-occupied unit, or for refinancing of the household's first mortgage loan on its primary residence.

In 2009, the FHLBanks disbursed more than \$54 million in set-aside funding for more than 9,000 low- or moderate-income households, primarily to purchase their homes (see Table 6). Nearly 93 percent of set-aside disbursements went to first-time homebuyers—8,670 assisted households.

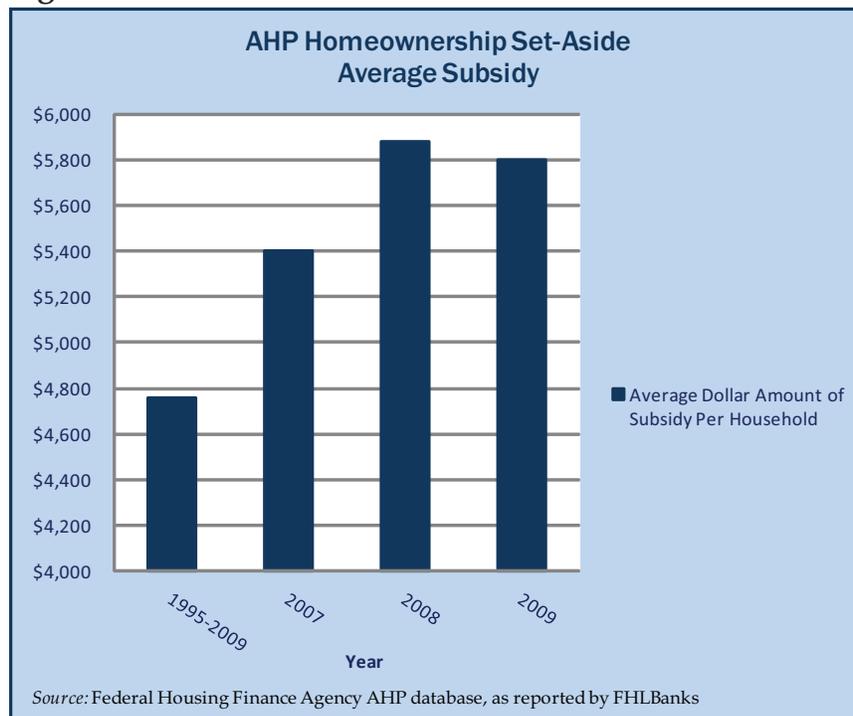


Whitney Young Homes in San Francisco, California, will provide seven homes for low-income households.

Table 6. AHP Homeownership Set-Aside Program Overview		
	2009 Total	1995 - 2009
Total AHP Homeownership Set-Aside Disbursements (\$ in Millions)	\$54.2	\$418
Homeowner Units		
Total AHP Homeowner Set-Aside Units	9,354	87,794
Number of First-Time Homebuyer Units	8,670	*
Number of Not First-Time Homebuyer Units	684	*
Average Subsidy per Household	\$5,797	\$4,758
<small>Source: Federal Housing Finance Agency AHP database, as reported by FHLBanks. Data as of December 31, 2009. *Data incomplete or not collected for years 1995 to 2006.</small>		

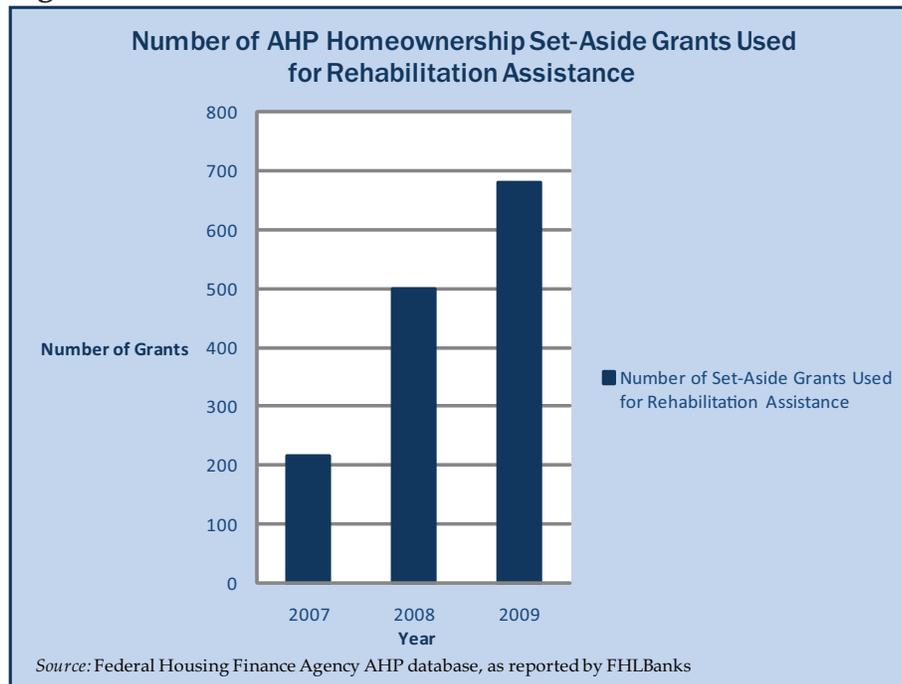
Between 1995 and 2009, the average AHP set-aside subsidy per unit was \$4,758 (see Figure 2). The average in 2008 (\$5,878) was \$475 higher than in 2007 (\$5,403), while the average in 2009 (\$5,797), declined nearly 2 percent from 2008.

Figure 2



Although the majority of the set-aside grants (90 percent) were used for down payment and closing cost assistance, the number of set-aside grants used for owner-occupied rehabilitation assistance more than tripled from 2007 to 2009 (see Figure 3). In 2007, the number of grants used for rehabilitation assistance was 215, while in 2009 the number increased to nearly 700.

Figure 3



Community Investment Program and Community Investment Cash Advance Program

The CICA program and CIP are sources of FHLBank funds that members may use to finance eligible targeted housing and economic development projects. The Bank Act requires that FHLBanks provide CIP advances. CICA programs are voluntary programs authorized since 1998.

FHLBanks may use advances and letters of credit for CIP, and advances, letters of credit, and grants for CICA programs. CIP provides financing for housing for households with incomes at or below 115 percent of area median income, including rental projects, owner-occupied housing, and manufactured housing parks, as well as for economic development projects located in low- and moderate-income neighborhoods or benefiting low- and moderate-income households.

The CICA program offers low-cost, long-term funding for members and housing associates (state and local housing finance agencies and economic development finance authorities) to use for financing economic development projects for targeted beneficiaries. Targeted beneficiaries include projects in various designated redevelopment areas, such as brownfields and closed military bases, projects hiring or serving targeted income levels, and small businesses.

Economic development projects include commercial, industrial, manufacturing, social service and public facility projects and activities, and public or private infrastructure projects such as roads, utilities, and sewers. Members may use CICA funds to finance through loan originations, loan participations, revolving loan funds, and purchases of LIHTCs and mortgage securities.

Between 1990 and 2009, FHLBank members borrowed nearly \$59 billion in FHLBank advances for CIP housing and CIP and CICA economic development projects.

CIP helped finance more than 700,000 housing units, 68 percent of which were owner-occupied. FHLBank member CIP and CICA program applications indicate that CIP and CICA lending helped to create or retain more than 164,264 jobs.

In 2009, FHLBanks made more than \$1.3 billion in CIP and CICA advances for economic development and mixed-use projects and more than \$1.2 billion in CIP advances for housing (see Table 7).

Table 7. CIP and CICA Program Overview		
(\$ in Millions)	2009	1990 - 2009
Total Advance Commitments*	\$2,565	\$58,782
Advance Commitments for Economic Development and Mixed-Use Projects (CIP and CICA)	\$1,341	\$16,271
Advance Commitments for Housing Projects (CIP Only)	\$1,224	\$42,511
Total Housing Units (CIP Only)	12,313	712,772
Owner-Occupied Housing Units	7,563	485,245
Rental Housing Units	4,750	227,527
Estimated Number of Jobs Created or Retained**	58,710	164,264
<p>Source: Federal Housing Finance Agency CIP and CICA database, as reported by FHLBanks. *Total advance commitments include CIP and CICA advance commitments where an initial disbursement occurred. Excludes rollovers and refinancing of previous advances. Data based on member projections at the time of application. **Estimated by FHLBank members in CIP or CICA applications.</p>		

CIP and CICA economic development commitments funded an array of projects including small businesses, social service facilities, and infrastructure improvements, as well as retail, commercial, industrial, and manufacturing spaces.

In 2009, FHLBank members used CIP and CICA funds to finance housing, economic development, and mixed-use projects in both urban and rural communities (see Table 8). CIP and CICA provided more than \$1.3 billion in economic development and mixed-used financing for urban projects and more than \$1.8 billion for rural projects. Members used

\$1.2 billion in CIP financing for 15,514 urban housing units and \$166 million for 3,597 rural housing units.

Although FHLBank members most commonly used advances to finance CIP and CICA projects, CIP and CICA projects financed with letters-of-credit doubled from 2007 to 2009 (see Figure 4).



An economic development grant from the FHLBank of Topeka's Joint Opportunities for Building Success, also known as the JOBS program, was used to renovate the McPherson Opera House Company in McPherson, Kansas.

In 2007, FHLBanks made more than \$1 billion in CIP and CICA letter-of-credit commitments for housing, economic development, and mixed-use projects in rural and

Table 8. CIP and CICA Program Projects Serving Urban and Rural Communities

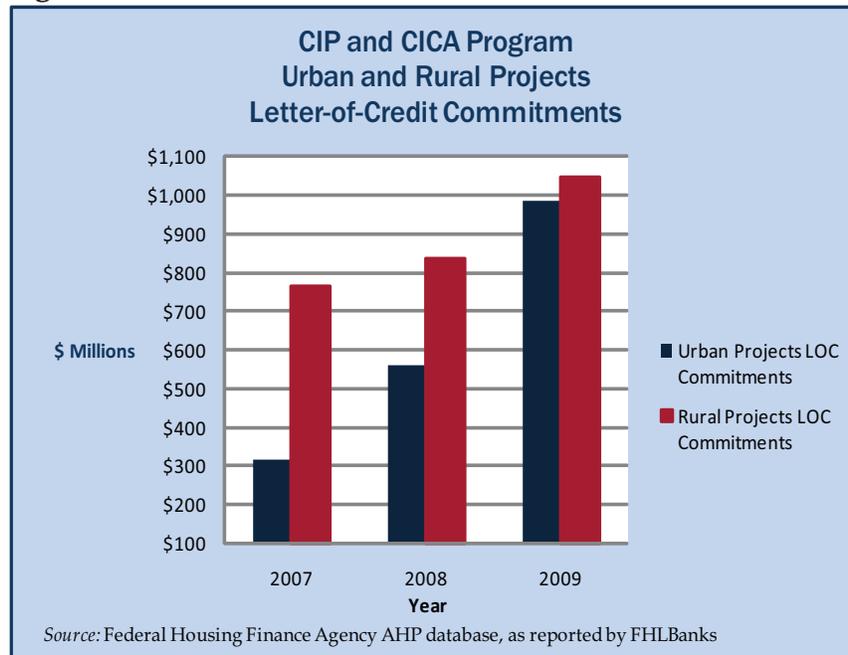
(\$ in Millions)	2009 Urban* Projects				2009 Rural* Projects				2009 Total
	Housing	Economic Devt.	Mixed Use	Total Urban Projects	Housing	Economic Devt.	Mixed Use	Total Rural Projects	
Total Approved Projects	189	287	10	486	143	767	3	913	1,399
Total Commitments	\$1,218	\$1,349	\$12	\$2,579	\$166	\$1,853	\$4	\$2,023	\$4,602
Number of Rental Housing Units	9,064	NA	407	9,471	2,484	NA	14	2,498	11,969
Number of Owner-Occupied Housing Units	6,450	NA	8	6,458	1,113	NA	1	1,114	7,572
Number of Total Housing Units	15,514	NA	415	15,929	3,597	NA	15	3,612	19,541
Estimated Number of Jobs Created or Retained	3	29,638	114	29,755	0	28,942	13	28,955	58,710

Source: Federal Housing Finance Agency CIP and CICA database, as reported by FHLBanks.

**"Urban area" and "rural area" as defined in 12 CFR part 952.

Total commitments include advances and grants where an initial disbursement occurred. Total commitments also include letters of credit, but exclude rollovers and refinancing of previous advances. Data based on member projections at the time of application.

Figure 4



urban communities. Of these projects, 70 percent of the commitments financed rural projects and 30 percent financed urban projects. In 2009, letter-of-credit commitments financed more than \$2 billion in CIP and CICA projects. Members used over \$1 billion of letter-of-credit financing for rural projects and nearly \$1 billion for urban projects.

The CICA program and CIP are estimated to have created or retained thousands of jobs in rural and urban communities (see Figure 5). In 2007, FHLBank members financed 1,619 CIP and CICA projects that created or retained an estimated 15,885 jobs. Of these jobs, nearly 9,000 were located in rural areas, and 7,000 were located in urban areas. In 2009, FHLBank members financed 1,399 CIP and CICA projects which created or retained an estimated 58,710 jobs. Projects financed in urban areas created or retained slightly more jobs (29,755) than projects financed in rural areas (28,955).

Figure 5

