

## **2008 COMMUNITY LENDING PLAN**

### **BACKGROUND**

The Community Investment Cash Advance (12 CFR 952) and Community Support ((944.6)(a)(5)) regulations obligate each Federal Home Loan Bank to develop an annual Community Lending Plan for approval by the Board of Directors. In order to successfully develop this plan consistent with the regulation, the Seattle Bank's practice has been to:

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

### **THE FEDERAL HOME LOAN BANK OF SEATTLE**

As of October 31, 2007, the Seattle Bank had \$64 billion in assets, 371 stockholder members and six approved housing affiliates. The Seattle Bank's market includes eight states (Alaska, Hawaii, Idaho, Montana, Oregon, Utah, Washington and Wyoming), the Northern Mariana Islands and the Territories of Guam and American Samoa. This region is home to one-third of the Native American reservations in the United States, encompassing Alaska Natives, Native Hawaiians, and the Native Peoples of the western Pacific Islands.

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

### ***SUBSIDY PROGRAMS***

The Affordable Housing Program (AHP) is a competitive program that provides funding for the capital costs associated with affordable housing. As of October 31, 2007, AHP had committed \$134 million in grants to assist 26,369 low-income households. Home\$tart and Home\$tart Plus (H\$P) are a 35 percent set aside from the AHP that provide non-competitive grants for low- and moderate-income, first-time homebuyers. As of October 31, 2007, H\$P had provided \$35 million to help 7,194 families. Between January 1, 2007 and October 31, 2007, 943 first-time homebuyers were enrolled and 619 received a disbursement of Home\$tart subsidy.

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

### **SUSPENDED PREDEVELOPMENT RECOVERABLE GRANT PROGRAMS**

The Challenge Fund was a \$1.3 million recoverable competitive grant program for predevelopment costs associated with affordable housing development. A total of \$2.36 million in Challenge Fund commitments have been made as of October 31, 2007, helping more than 4,977 households. As of October 31, 2007, 29 percent of Challenge Fund grants had been forgiven because during predevelopment it was determined that the proposed project was not feasible.

ACCESS was a recoverable grant program for predevelopment costs associated with community-based economic development. As of October 31, 2007, 21 projects had been funded. Of the \$973,000 committed to date, approximately \$35,000 had been repaid (4 percent) and \$56,000 had been forgiven (6 percent) because during predevelopment it was determined that the proposed project was not feasible.

The Advisory Council will be developing funding priorities for a predevelopment fund that is scheduled to be offered sometime after April 2008.

### **ADVANCE PROGRAMS**

The Community Investment Program and the Economic Development Fund (CIP/EDF) comprise a \$1 billion revolving advance pool for affordable housing and economic development that benefits low- and moderate-income individuals and neighborhoods. As of October 31, 2007, the Seattle Bank had made a total of \$3.33 billion in discounted CIP/EDF advances to fund 45,045 units of affordable housing for low and moderate income households and 255 economic development projects. Through the CIP/EDF, the Seattle Bank also offers discounted prices on its letters of credit and forward rate locks for qualifying projects.

### **MARKET RESEARCH**

In 2004, the Seattle Bank distributed a survey to approximately 1,200 members and community partners to determine the unmet credit needs for affordable housing in our market. 78 members and 106 community partners responded to the survey. The urban/rural profile of the respondents was balanced with slightly higher responses from Seattle Bank members and community partners serving rural communities.

The survey reported that the two highest ranked unmet housing needs in the Seattle Bank's District were:

- Affordable housing for first-time homebuyers
- Affordable rental housing for households at or below 60 percent of area median income

In 2007, the bank reviewed the Qualified Allocation Plans (QAP) for the eight states in the bank's district to compare funding priorities for low income housing tax credit projects with the funding priorities of AHP. The results were largely inconclusive for two reasons. First, many QAPs awarded points for various feasibility benchmarks. This would likely not be permissible in the AHP regulation because feasibility benchmarks measure the efficiency of how funds are used, but they do not respond to a housing need as required by the regulation. Second, owner-occupied housing is not applicable to the QAPs because they guide the selection process for low income housing tax credit projects, which are rental projects. However, owner-occupied housing is relevant to the mission of the Seattle Bank and has been identified as a top housing need by our members and sponsors.

---

### **QUANTITATIVE GOALS 2007**

Although not stated in the community lending goals for 2007, significant gains in member and community outreach were achieved by incorporating community investments into the Seattle Bank's business development strategies. Specifically:

1. A presentation on community investment programs was incorporated into the agenda of the Seattle Bank Regional Classics where 100 representatives from 58 member institutions in seven states learned about the bank's products, services, and strategic priorities.
2. The Community Investment Officer (CIO) met with Relationship Managers and 22 members and housing associates to provide detailed information on the Seattle Bank's community investment programs, in particular CIP/EDF and Home\$tart.
3. The CIO and two Relationship Managers presented community investment programs to the Chief Financial Officer meeting of the Oregon Bankers' Association.
4. The CIO and a Relationship Manager were keynote speakers at a meeting sponsored by the Wyoming Community Development Authority attended by 28 stakeholders including 12 financial institutions, 10 local and regional housing providers, and one housing associate.
5. Four Web-based educational seminars informing members and sponsors of the 2007 AHP requirements were attended by 20 members and 22 housing sponsors. These seminars provided information about the online application, AHP scoring criteria, eligibility requirements, and feasibility requirements for rental and owner-occupied projects. The seminars also provided information about the roles and responsibilities of housing sponsors and members and emphasized the requirement that members underwrite AHP applications to the standard they would use if providing a loan to the project.

Stated quantitative goals for 2007 are listed below.

*Conduct two educational meetings to inform members of Home\$tart requirements.* Three Web-based educational meetings were held to inform members of Home\$tart's enrollment and disbursement requirements, income calculation procedures, and compliance and monitoring requirements. 101 attendees representing 70 members attended these three meetings.

*Conduct two educational meetings to inform members of AHP monitoring and compliance responsibilities.* Three Web-based educational meetings to inform members and sponsors of AHP monitoring and compliance responsibilities were attended by all recipients of a 2006 AHP award.

*Seattle Bank Relationship Managers meet with Advisory Council members twice a year in the state represented by that council member.* As of November 1, 2007, 10 meetings had been held between the eight members of the Advisory Council and Relationship Managers in the state represented by the council member. The remaining six meetings are scheduled to be held by the end of the year.

---

*Increase the number of members with enrolled Home\$tart buyers by 25. As of October 31, 2007, 16 members participated in Home\$tart that had not participated in the 2006 calendar year. Six of these members became active participants with enrolled homebuyers. These six members include:*

1. The State Bank of Townsend
2. Valley Bank of Ronan
3. Wyoming National Bank
4. First Federal Savings and Loan of Port Angeles
5. First National Bank and Trust
6. Valley Bank of Helena

*In addition, ten members have either submitted new Home\$tart applications in 2007 or have renewed participation after a year or more lapse, but have yet to enroll homebuyers. These members include:*

1. AmericanWest Bank
2. Cowboy State Bank
3. Denali State Bank
4. First Federal Saving Bank
5. First Mutual Bank
6. First National Bank of Montana
7. Harborstone Credit Union
8. Pacific Crest Federal Credit Union
9. Summit One Federal Credit Union
10. Twin City Bank

*Increase the number of members using CIP/EDF by 50 percent. In 2006, nine members originated CIP/EDF advances. As of October 31, 2007, the number of members using CIP/EDF increased by 44 percent. The four new members were:*

1. West Coast Bank
2. First Mutual Bank
3. Bank of the Cascades
4. Barnes Banking Company

#### **QUALITATIVE GOALS FOR 2007**

*Pursue partnership opportunities for a financial literacy initiative. Corporate contributions are being invested with Junior Achievement organizations in each of the eight states in the Seattle Bank district.*

*Produce marketing materials for community investment products.* The scope of the Annual Housing Report was expanded to be used as marketing collateral for community investment products and Home\$start brochures were made available to participating members and to members who were interested in participating in the program.

Additionally, a map of each state was presented to members of congress to show where AHP and CIP/EDF investments had been made. Total funds awarded were reported on this map and the grand total included information on Home\$start (Home\$start recipients are too numerous to be individually identified on a map).

Members of the Senate who received materials were Mike Crapo (ID), Joh Tester (MT), Robert Bennett (UT), and Maria Cantwell (WA).

Members of the House who received materials were Norm Dicks (WA), Jay Inslee (WA), Jim McDermott (WA), Bill Sali (ID), and Mike Simpson (ID).

#### **PERFORMANCE GOALS FOR 2008**

1. 16 members who were not approved to participate in Home\$start in the 2007 calendar year will be approved in 2008.
  2. Six members who had not used CIP/EDF in 2007 will be approved for CIP/EDF advances in 2008.
  3. Seattle Bank Relationship Managers meet with Advisory Council members twice a year in the state represented by that council member.
  4. Upon availability of resources, a revolving and recoverable predevelopment grant program will be made available.
  5. Implementation of a new community investment database will be actively pursued.
-