
“The Seattle Bank’s community investment programs are flexible tools that we use to help finance affordable housing. Our extensive use of both the Affordable Housing Program and the HomeStart Program allows us to support affordable rental and first-time homeownership projects and to demonstrate our commitment to our communities.” Ray Mooney, Vice President / Community Development Manager, Sterling Savings Bank, Spokane, Washington

----- Federal Home Loan Bank of Seattle, Report of Affordable Housing and Community Investment Initiatives -----
----- 2007 -----



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Part 1: Resource Materials

Our goal at the Seattle Bank is to enable our members to make effective use of our products and services in support of their businesses and their communities.

We are pleased to share our members' experiences with our community investment programs—in their own words—and to provide an overview of these valuable products and the steps required to use them.

“Community investment is an important part of our responsibility as a financial institution. Our use of the Seattle Bank’s AHP and Home\$tart Program helps us put people in homes and improve our community. When the community does well, so does the business environment, and that’s good for all of us.”

Larry Miner
Chief Operating Officer, Bank of American Fork
American Fork, Utah

“The Seattle Bank’s Home\$tart Program has provided an unequalled sense of fulfillment to those who have become first-time homeowners as a result of the downpayment assistance they have received.”

Norm West
Chief Financial Officer, Alaska USA Federal Credit Union
Anchorage, Alaska

“CIP and EDF give us access to low-cost, long-term funding for affordable housing and economic development from a partner we trust. We recently used the cost-effective rate lock along with the long-term funding to participate in an attractive, long-term housing development project in our community. Adding to the appeal, the application process was quick and relatively simple.”

Anders Giltvedt
Executive Vice President and Chief Financial Officer, West Coast Bank
Lake Oswego, Oregon

“We do a great deal of mortgage lending, and a good percentage of those loans qualify for CIP funding. With CIP, I can submit one application to fund all of our qualifying loans over the past 90 days. The cost savings, combined with the ease of managing a single funding vehicle, makes it well worth my time to review our portfolio and submit the application. In addition, the Seattle Bank makes this a very easy transaction—no hassle, very straightforward.”

Randy Gunderson
Chief Financial Officer, Verity Credit Union
Seattle, Washington

“Over the years, we have seen some very happy customers obtain their dream of homeownership because of Home\$tart and Home\$tart Plus. We are currently working with a couple receiving Section 8 rental assistance. They have completed their family self-sufficiency plan with their advocate at the Southern Idaho Community Housing Authority, and with a Home\$tart Plus grant to assist with downpayment and closing costs, they will be able to purchase their first home.”

Jane Hopkins
Southern Idaho Real Estate Manager / Vice President, Idaho Independent Bank
Coeur d’Alene, Idaho

“HomeStart
is a great tool for first-time homebuyers and for our company. Our ability to offer downpayment assistance makes us a more attractive lender. And because HomeStart customers are required to take a homebuyer education course, they are prepared for the responsibility of owning a home—and that reduces our risk. We expect that our use of HomeStart will continue to grow, particularly in this challenging market.”

Lyndora Taylor
Director of Real Estate Services, OSU Federal Credit Union
Corvallis, Oregon





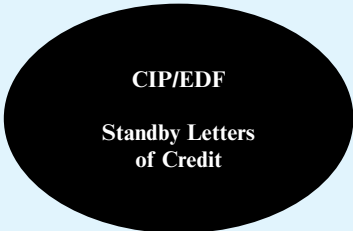
“Many of the projects we support would not be built without AHP, and without this type of support for affordable housing, small businesses, and jobs, the intractable problems of homelessness and poverty just get worse. AHP is indispensable to our efforts.”

Robert L. McKean
Chief Executive Officer, Albina Community Bank
Portland, Oregon

“We have used EDF advances to fund small business loans, commercial real estate loans, and assets held as investments where the project is located in an economically disadvantaged area. We have even used EDF advances to fund an investment in New Market Tax Credits. Because of EDF, buildings have been built and jobs have been created in places that need them the most.”

Anthony M. George
Executive Vice President and Chief Financial Officer, Kitsap Bank
Port Orchard, Washington

Product Matrix

	Purpose	Funding Type / Use
 <p>AHP Affordable Housing Program</p>	<p>To acquire, develop, and/or rehabilitate affordable rental or owner-occupied housing for households earning up to 80 percent of area median income, adjusted for family size.</p>	<p>Direct subsidy and subsidized advance program. Funds may be used to:</p> <ul style="list-style-type: none"> • Provide gap financing • Reduce mortgage principal • Fund rehabilitation and new construction • Cover downpayment and closing costs • Lower the interest rate on a loan • Preserve affordable housing
 <p>HomeStart Program</p>	<p>HomeStart: To provide financial assistance to first-time homebuyers earning up to 80 percent of area median income, adjusted for family size.</p> <p>HomeStart Plus: To provide financial assistance to first-time homebuyers earning up to 80 percent of area median income, adjusted for family size, who also receive public housing assistance.</p>	<p>Matching grant program. Funds may be used to:</p> <ul style="list-style-type: none"> • Cover downpayment and closing costs • Fund rehabilitation
 <p>CIP Community Investment Program</p>	<p>Community Investment Program (CIP): To finance affordable housing for households earning up to 115 percent of area median income.</p> <p>CIP Plus: To refinance adjustable-rate mortgages into fixed-rate products for households earning up to 115 percent of area median income.</p>	<p>CIP: Reduced-rate, intermediate- and long-term advances with fixed or variable rates to finance:</p> <ul style="list-style-type: none"> • Owner-occupied or rental housing, including manufactured homes • Low-income housing tax credits • Mortgage revenue bonds, mortgage-backed securities, lender consortia, or a secondary market for mortgage loans if all underlying loans are CIP-eligible • Pools of qualifying loans <p>CIP Plus: Reduced-rate, intermediate- and long-term advances with fixed or variable rates to refinance:</p> <ul style="list-style-type: none"> • Adjustable-rate mortgages into fixed-rate products • Pools of qualifying loans
 <p>EDF Economic Development Fund</p>	<p>To finance economic development activities benefiting households or neighborhoods of up to 100 percent of area median income in urban areas and 115 percent in rural areas or in EDF-qualified areas.</p>	<p>Reduced-rate, intermediate- and long-term advances with fixed or variable rates that may be used to finance:</p> <ul style="list-style-type: none"> • Commercial, industrial, manufacturing, social service, public facility, and public and private infrastructure projects • Small business loans • Projects that create or sustain jobs • Lender consortia if the underlying loans are EDF-eligible
 <p>CIP/EDF Standby Letters of Credit</p>	<p>To provide members an efficient and low-cost way to utilize the Seattle Bank's credit rating to guarantee contractual agreements with third parties for CIP/EDF-eligible projects.</p>	<p>Funding guarantees to support affordable housing or economic development initiatives, including related interest-rate swaps.</p>

Amount Available**Application / Funding Process****Key Requirements**

AHP is funded with 10 percent of the Seattle Bank's annual net income. Project awards vary, based on annual funding availability and project size and need.

The Seattle Bank conducts competitive funding rounds once or twice a year.

Members must underwrite the projects they submit. Projects must meet eligibility, feasibility, retention, monitoring, and compliance requirements. At least 20 percent of units in rental projects must be affordable to households at or below 50 percent of area median income. Funds must be partially drawn within one year and completely used within three years of approval.

Based on availability of funding, participating members may receive up to \$200,000 annually in HomeStart Program funds.

Homebuyers are offered:

- \$3 for every \$1 they contribute, up to \$5,000 for HomeStart
- \$2 for every \$1 they contribute, up to \$10,000 for HomeStart Plus

The Seattle Bank allocates funds equally to participating member institutions on an annual basis. Prospective homebuyers may apply for grants through a member institution at any time. Additional funds are made available to members on a first-come, first-served basis.

Members must ensure that all program requirements are met. Households must complete an approved homebuyer education course, qualify for a mortgage, and demonstrate matching funds. Grants must be used for the purchase or rehabilitation of a primary residence within one year of homebuyer enrollment.

CIP:

- \$1 billion cap on outstanding advances.
- Advance terms range from three to 30 years.
- Rate locks available for up to two years at a cost of 24 basis points per year.

CIP Plus:

- \$100 million cap on outstanding advances.
- \$25 million per member cap on outstanding advances.
- Advance terms range from five to 30 years.
- Rate locks available for up to two years at a cost of 24 basis points per year.

Funding is available through a noncompetitive application process. Member institutions may apply at any time.

Loan to be funded may not be originated more than three months before the advance is approved. The amount and term of the advance may not exceed the amount and term of the loan to be funded. Advances are subject to the member's Seattle Bank credit limit and standard collateral requirements. Prepayment fees apply.

\$1 billion cap on outstanding EDF advances. Advance terms range from three to 30 years. Rate locks are available for up to two years at a cost of 24 basis points per year.

Funding is available through a noncompetitive application process. Member institutions may apply at any time.

Loan to be funded may not be originated more than three months before the advance is approved. The amount and term of the advance may not exceed the amount and term required for the loan to be funded. Advances are subject to the member's Seattle Bank credit limit and standard collateral requirements. Prepayment fees apply.

Five-basis-point discount for CIP/EDF-eligible projects. May be issued for up to 20 years.

Standby LOCs are available through a noncompetitive application process. Member institutions may apply at any time.

Members must document that the Standby LOC supports an affordable housing or economic development initiative that is CIP/EDF eligible. Standby LOCs are subject to the member's Seattle Bank credit limit and standard collateral requirements.

Program Participation Guide

AHP PARTICIPATION PROCESS

The Affordable Housing Program (AHP) is funded on an annual basis with 10 percent of the Seattle Bank's previous year's profits. To prepare for each funding round, the Seattle Bank's Affordable Housing Advisory Council reviews affordable housing needs across the Seattle Bank's district and recommends AHP priorities and policies for the Board of Directors' approval.

Seattle Bank members and project sponsors both play a role in preparing and submitting an application for AHP subsidy. Prior to applying, members and sponsors are encouraged to read the AHP Implementation Plan (available on the Seattle Bank's Web site) for information regarding scoring criteria, per-member caps, and other compliance and program requirements. The 2008 AHP funding round begins on June 1, 2008, with applications due on August 1, 2008.

APPLYING FOR AHP SUBSIDY

Step 1

The project sponsor reviews the AHP Implementation Plan. If the project appears to be competitive, the sponsor contacts a Seattle Bank member to request that the member submit an AHP application on the sponsor's behalf. It is important to do this early in the funding round, as Seattle Bank members are limited in the amount of subsidy they can request, and if asked to sponsor more than one project, may reach their per-member cap early in the funding round. In addition, members are required to underwrite the projects they submit, which requires time on their part.

Step 2

Once the member has agreed to partner with the project sponsor on the application, both the member and the sponsor obtain a password to access the online AHP application. Visit the "Login" page on the Seattle Bank's Web site, and click on "Community Investment Services" to register for a password.

Step 3

The project sponsor completes the online AHP application, providing complete, consistent, and accurate information, and then submits a draft of the application and supporting documentation to the member for review and approval. The member may return the application to the sponsor for revision, and the sponsor may resubmit to the member once they have made appropriate changes. This process may be repeated as often as necessary.

Step 4

After the member has underwritten the application, the member and project sponsor sign on the signature page. The member sends the signature page and supporting documentation to the Seattle Bank's Community Investment Department. At the close of the funding round, the Seattle Bank reviews and scores each application. Sponsors and members may be contacted with questions about the application. During the scoring process, the Seattle Bank critically evaluates a variety of items, including:

- The consistency and reasonableness of the information provided.
- The sponsor's and development consultant's capacity, development experience, and record of compliance with previous AHP awards.
- Market demand for the project (e.g., borrowers have been prequalified for owner-occupied projects, the project's ability to meet set-aside commitments for which points are being requested, etc.)
- How the AHP subsidy will be used (e.g., for construction, downpayment assistance, etc.)
- The likelihood that the project will be ready to begin construction, rehabilitation, or acquisition within one year of application approval and will be completed, using all of the AHP subsidy, within three years of application approval.
- The project's eligibility with respect to each scoring criterion.
- The project's financial statements and their correlation to the Seattle Bank's feasibility benchmarks.
- The member's underwriting comments.

The Seattle Bank's Community Investment Officer recommends projects for approval to the Seattle Bank Board of Directors. Once awards are approved, members and sponsors are notified, and the AHP awards are announced on the Seattle Bank's Web site.

Step 5

Prior to requesting disbursement of AHP subsidy: The member and project sponsor must attend a Seattle Bank AHP compliance Web seminar.

The member and project sponsor review and sign the AHP Regulatory Agreement and return it to the Seattle Bank, at which time, AHP subsidy may be disbursed.

The project sponsor demonstrates approval of at least 75 percent of total funding sources.

REQUESTING AHP DISBURSEMENTS

Step 1

After any preconditions have been met, the project sponsor may request a disbursement of funds by completing the AHP Disbursement Checklist and AHP Subsidy Disbursement Request (available on the Seattle Bank's Web site and in the AHP compliance binder). The sponsor then sends the check list, request form, and any necessary backup/feasibility documentation to the member.

Step 2

The member reviews and approves the request and submits it to the Seattle Bank.

ENSURING COMPLIANCE WITH AHP REQUIREMENTS

For Owner-Occupied Projects Only (5-year retention period):

During construction, the member submits progress reports to the Seattle Bank's AHP Compliance Department every six months. At its discretion, the Seattle Bank may conduct an onsite inspection at any time.

Following construction and occupancy of the units, the project sponsor and member provide documentation to verify project costs and funding sources, that all application commitments have been met, and that a recorded deed restriction is in place for each owner-occupied unit. The Seattle Bank will initiate a request for the documentation.

CIP/EDF PARTICIPATION PROCESS

Applying for a Community Investment Program / Economic Development Program (CIP/EDF) Advance is easy. Funds are available on an ongoing basis, and advances are generally approved within a few working days.

APPLYING FOR A CIP/EDF ADVANCE

Complete and submit a CIP/EDF Application (available on the Seattle Bank's Web site) to the Seattle Bank's Community Investment Department.

Upon receipt, the Seattle Bank's Community Investment team will confirm that the asset to be funded meets CIP/EDF eligibility requirements, that the amount and term of the requested advance does not exceed the amount and term of the loan supporting the qualifying asset, and that the loan for the qualifying asset was not originated more than 90 days before the CIP/EDF advance is approved.

When the application is approved, the Seattle Bank's Community Investment team notifies the member via fax that they may draw their CIP/EDF advance.*

DRAWING A CIP/EDF ADVANCE

Contact the Seattle Bank's Member Services team to request the funds. The Seattle Bank's Member Services team processes the request as they would any other Seattle Bank advance.

ENSURING COMPLIANCE WITH CIP/EDF REQUIREMENTS

After the member draws the CIP/EDF Advance, they must certify that the funds were used for the purpose approved in the CIP/EDF application. The Seattle Bank's Community Investment team will send a one-page document to the member for this purpose.

RENEWING A CIP/EDF ADVANCE

Confirm that the funded asset still qualifies for the CIP/EDF Advance. Before the advance matures, the Seattle Bank will send a one-page document to the member for this purpose.

*Consistent with standard Seattle Bank rate lock products, CIP/EDF rate locks must be drawn before the rate-lock term expires. CIP/EDF Advances are subject to the same collateral and prepayment requirements as other Seattle Bank advances.

At the completion of the project, the member ensures that a recorded deed restriction is in place for every homebuyer and certifies that the project complies with all AHP requirements. This certification is requested by the Seattle Bank.

For Rental Projects Only (15-year retention period):

During construction, the member submits progress reports detailing the project's progress toward completion to the Seattle Bank's AHP Compliance Department every six months. At its discretion, the Seattle Bank may conduct an onsite inspection at any time.

At the end of construction and lease-up, the project sponsor provides and the member approves third-party documentation verifying the project's costs and continuing feasibility, that all application commitments have been met, and that a recorded deed restriction is in place. The member submits the documentation to the Seattle Bank's AHP Compliance Department.

After project completion, every year, the project sponsor confirms that the project remains in compliance with AHP requirements. The Seattle Bank sends a certification form to the sponsor for this purpose.

Periodically, throughout the 15-year retention period, the project sponsor must provide a rent roll and back-up documentation to verify tenant incomes and affordability of rents. The Seattle Bank will request the documentation on a scheduled basis, based upon the amount of the AHP subsidy approved.

Every three years, the member certifies their continuing obligation to monitor all of the projects that they have sponsored throughout the retention period. The Seattle Bank will initiate a request for the certification.

HOMESTART PROGRAM PARTICIPATION PROCESS

The HomeStart Program is funded on an annual basis. The 2008 HomeStart Program year begins with an allocation of funds to participating Seattle Bank members on April 1, 2008.

2008 HomeStart Program Allocation Strategy

1. Members that enrolled one or more households in the 2007 program year:
 - Receive a guaranteed allocation of funds on April 1, 2008, which is set aside for four months.
 - May exceed their allocation, as funds become available, on a first-come, first-served basis.
2. Members that did not enroll households in the 2007 program year:
 - Do not receive a guaranteed allocation on April 1, 2008, but...
 - May enroll households as funds become available, on a first-come, first-served basis.

APPLYING TO PARTICIPATE IN THE HOMESTART PROGRAM:

Step 1

Complete and submit a HomeStart Program application (available on the Seattle Bank's Web site) to the Seattle Bank's Community Investment Department. Once the application is approved, there is no need to reapply each year.

Step 2

Review and return a HomeStart Program Regulatory Agreement, signed by an individual authorized to transact business with the Seattle Bank. This is required at the start of each HomeStart Program year. After the regulatory agreement has been returned to the Seattle Bank, members may begin enrolling homebuyers.

Step 3

Obtain a login and password to access the Seattle Bank's Community Investment Services section of the Seattle Bank's Web site. Visit the "Login" page on the Seattle Bank's Web site, and click on "Community Investment Services" to register for a password. This secure section of our Web site provides information regarding enrollments, disbursements, and availability of funds.

ENROLLING A HOMEBUYER IN THE HOMESTART PROGRAM:

Complete and submit a HomeStart Enrollment and Certification Form and Annual Income Calculation Worksheet (available on the Seattle Bank's Web site), along with documentation supporting the homebuyer's income, to the Seattle Bank's Community Investment Department. Upon receipt of the enrollment documentation, the Seattle Bank's Community Investment team will ensure that the income calculation requirements have been met and that students who would have a reasonable expectation of earning more than 80 percent of area median income upon graduation are not enrolled.

Once the homebuyer is enrolled, their funds are set aside for one year, during which time they must complete an approved homebuyer education class, meet the HomeStart Program matching funds requirement, and qualify for a mortgage.

REQUESTING DISBURSEMENT OF HOMESTART PROGRAM FUNDS:

Complete and submit a Disbursement Request and Certification Form (available on the Seattle Bank's Web site) to the Seattle Bank's Community Investment Department. The request must be submitted before mortgage closing and accompanied by proof of the homebuyer's matching funds and their certificate of completion for an approved homebuyer education class.

Upon receipt, the Seattle Bank's Community Investment team will confirm that the matching funds comply with program requirements.

Once approved, the Seattle Bank disburses the funds to the member's DDA. Seattle Bank members can easily view a list of the homebuyers they have enrolled and the status of their disbursement requests on the Community Investment Services page on the Seattle Bank's Web site.

ENSURING COMPLIANCE WITH HOMESTART PROGRAM REQUIREMENTS:

Within 30 days of disbursement, provide a copy of the HUD-1 settlement statement. Please note that homebuyers may not receive more than \$250 in cash back at closing.

Within 90 days of disbursement, provide a copy of the recorded deed restriction.

Twice each year, review enrolled homebuyers to ensure that they are progressing toward homeownership.

Part 2: Project Profiles

The need for affordable rental and owner-occupied housing is great. Plaza Los Robles in Oregon and Habitat for Humanity Maui demonstrate the value of our community programs and our community partnerships in meeting the need.

Oregon's agricultural economy is highly dependent on the farmworker laborers who cultivate and harvest a wide variety of fruits, vegetables, plants, and trees on a seasonal and year-round basis. Despite their considerable contribution to the local economy, these workers are among the most poorly paid in the state.

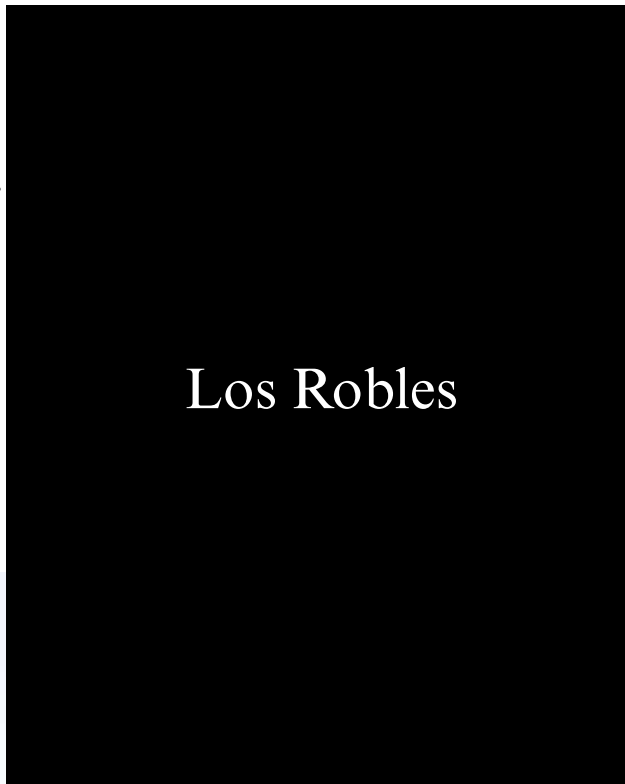
Low wages and an overall lack of farmworker housing make it hard for these predominantly Latino workers to find a decent place to live. Language and cultural differences complicate an already difficult situation.



Plaza Los Robles in Molalla, Oregon, offers housing and social services that address the specific needs of Oregon's farmworker families. The residential community offers two-, three-, and four-bedroom apartments for 23 families. The community center includes a management office, a meeting room for classes and gatherings, and a laundry room that looks out to a half-court basketball / soccer court and playground. The property, which adjoins a parklike wetland, also includes space for a community garden.



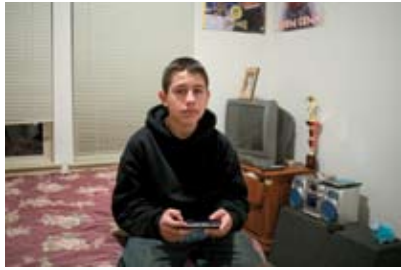
Sponsored by Portland's Hacienda CDC and developed by CASA of Oregon, Plaza Los Robles was built to green standards. It offers its residents safe, dignified, and affordable rental housing, in a supportive environment, near the farms and nurseries where they work. With USDA rental assistance, tenants pay no more than 30 percent of their income toward rent and utilities.



Plaza Los Robles was funded in part by a \$167,976 Affordable Housing Program (AHP) award, sponsored by Sterling Savings Bank. The AHP award was used for architect and demolition fees and onsite work. Other major funders of the Plaza Los Robles project include:

- o USDA Rural Development Section 514/516: \$2.93 million
- o State Farm Worker Tax Credits: \$1.59 million
- o Clackamas County HOME: \$400,000
- o State Housing Trust: \$100,000
- o HELP: \$75,000
- o State Weatherization Funds: \$28,000





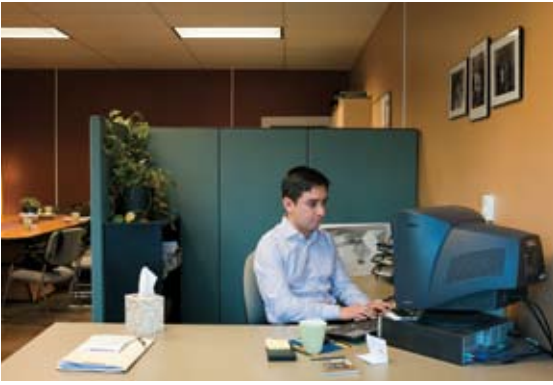
Panfilo Delgado and his wife, Emma, live with their four children in their apartment at Plaza Los Robles. Panfilo works in the fields, and Emma stays home with baby Yesenia, while 19-year-old Julio, 14-year-old Daniel, and 11-year-old Bianca attend nearby schools.



Panfilo came to the United States from Mexico in 1998. His oldest son, Julio, joined him two years later, and the rest of the family followed over the course of the next several years, as their situation allowed. Once reunited, the family lived together in a crowded trailer. This family of six clearly appreciates their larger and more comfortable apartment.

With little formal education and only rudimentary English, Panfilo and Emma are also grateful for the onsite social services and support available to Plaza Los Robles residents. The opportunity to live in a clean, safe, supportive community with other farmworker families, who share their language, culture, and current challenges, offers a greater sense of belonging and hope for a better future.





Omar Martinez Catherine Kes
Rudy Ulin



Portland-based Hacienda CDC works with a variety of community partners to provide its clients with affordable housing, economic development opportunities, and a broad range of social and support services. According to Housing Development Director Catherine Kes, "Plaza Los Robles is a great example of the importance of strong community partnerships in meeting community needs. This project could not have been built without CASA of Oregon's specific expertise in developing farmworker housing and Sterling Savings Bank's sponsorship of our AHP application."

Hacienda CDC strives to offer culturally sensitive and appropriate programs that help to create a vibrant living community--a "comunidad viva"--that improves the lives of the individuals and families they serve. In addition to English language instruction, citizenship, and financial literacy classes, the residents of Plaza Los Robles have access to onsite nutrition counseling, child health and safety programs, and dental and health exams. An after-school program, Expresiones, provides support for middle-school students.

Ray Mooney



Panfilo Delgado



Julio Delgado

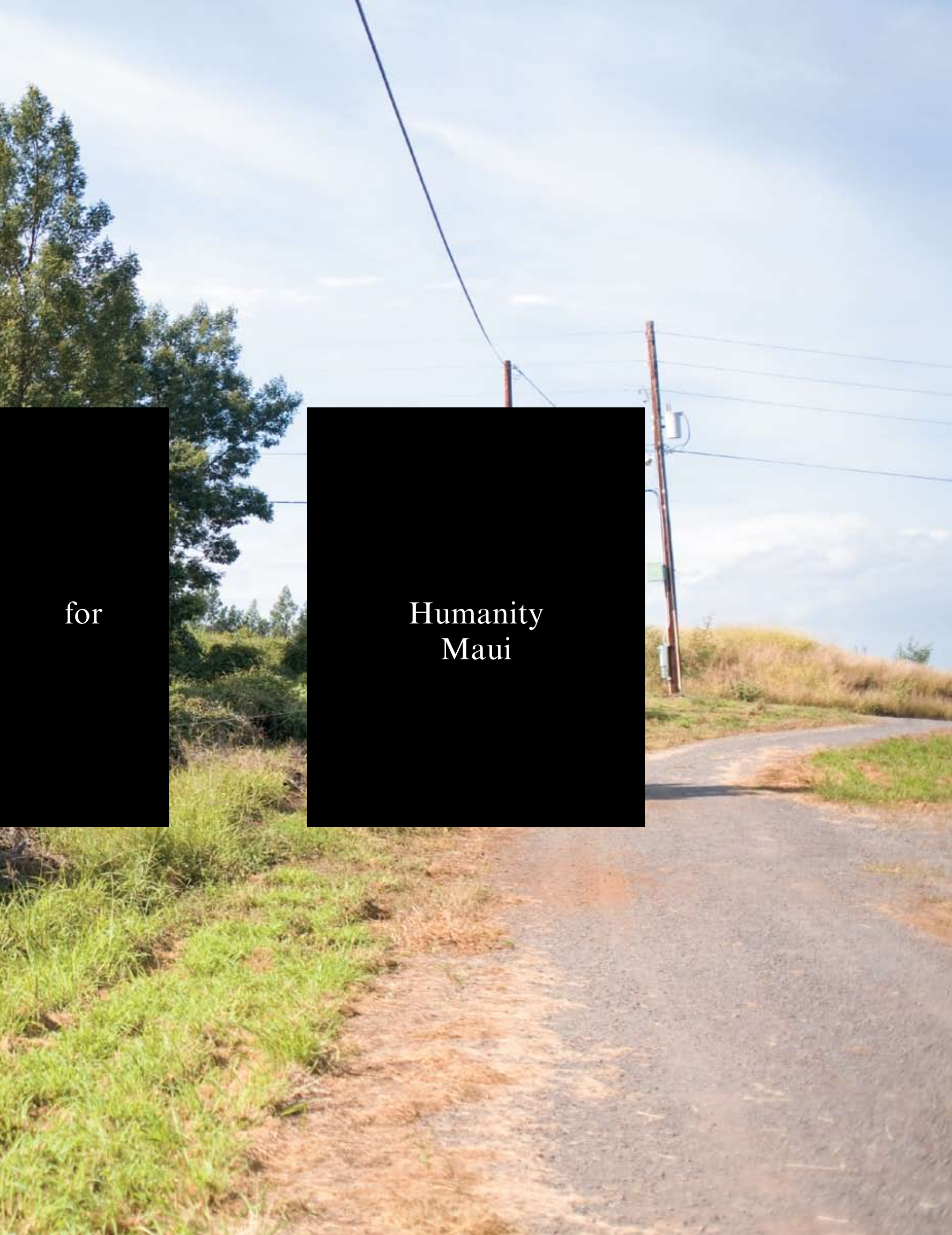


"Farmworkers have their own cultural, occupational, and housing needs that require special understanding. It is due to the commitment and expertise of groups like CASA of Oregon and Hacienda CDC that the housing needs of Oregon's farmworkers are being addressed. Sterling is proud to have played a small part in sponsoring this AHP application."

Ray Mooney, Sterling Savings Bank



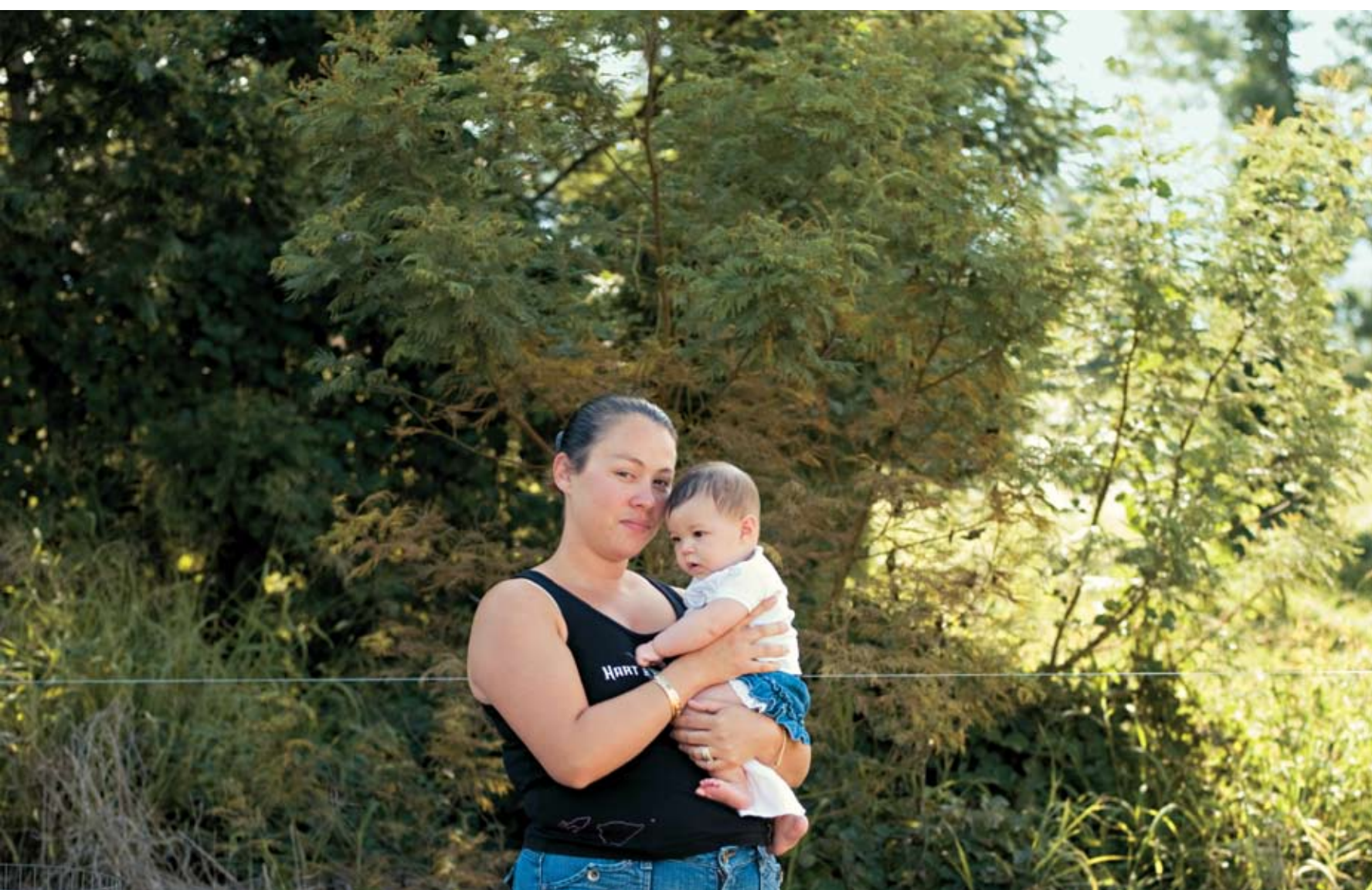
Habitat



for

Humanity
Maui















Sherrri Dodson

While Hawaii is one of the most expensive housing markets in the country, wages from the tourism-based economy are relatively low. As a result, housing affordability is a significant issue for many of the state's residents, including the 27 percent of Native Hawaiian households earning less than 50 percent of area median income.

The Hawaiian homelands trust was established to support the housing needs of Native Hawaiians by ensuring their rights to land once owned by the Hawaiian monarchy. The Department of Hawaiian Home Lands (DHHL), which manages the 200,000-acre trust, offers 99-year leases at \$1 per year to the trust's beneficiaries: approximately 47,000 individuals with at least 50 percent Native Hawaiian heritage, their successors, and assignees.



Casey Kihea

Even with access to leasehold land, the cost of constructing a home exceeds the resources of very low-income Native Hawaiians. Through its mutual self-help program, Habitat for Humanity Maui offers these households the opportunity to work together to build their own homes. Habitat for Humanity provides homeownership classes, credit counseling, and support throughout the construction process, while relying on private funding to cover the costs of construction. The homeowners contribute their "sweat equity" by working alongside family members, friends, and community volunteers to construct their homes.



Isaiah Kihea

"Habitat and Hawaii are a natural fit," says Habitat for Humanity Maui Executive Director Sherrri Dodson. "Mutual self-help complements the Hawaiian culture of sharing and dramatically reduces the cost of homeownership."

Casey Kihea, a young working mother with two children, and Kahilihiwa Kipapa, who lives on Social Security, were among a group of 10 DHHL lessees who worked with Habitat for Humanity to build their homes. They take well-deserved pride in their accomplishments, but readily acknowledge that they couldn't have done it alone.



Kahilihiwa Kipapa

Their 1,100-square-foot homes are located on large, sunny lots in Maui's rural Upcountry district. While similar in design, the homes include some custom features. A wheelchair ramp to Mrs. Kipapa's front door, for example, facilitates her mother's access to her home and helps when her own arthritis acts up. Their generous lots allow Casey's son room to run and play and for Mrs. Kipapa to plant her garden.

With the homeowners' own labor and that of numerous volunteers, the 10 homes were constructed for \$650,000, or \$65,000 each. A \$70,000 Affordable Housing Program (AHP) award, sponsored by First Hawaiian Bank, provided each household with \$7,000 toward the construction of their home.



Joyce Borthwick

Other funders of the \$650,000 project included:

- The Case Foundation: \$450,000
- NAHASDA: \$120,000
- Funds for Humanity: \$6,712
- Local Donations: \$3,288

Habitat for Humanity Maui provided long-term, interest-free mortgages to finance their purchases.

First Hawaiian Bank has been sponsoring AHP awards to Habitat for Humanity for over 14 years, as a part of the bank's commitment to assist Habitat-qualified families with their dream of homeownership. According to First Hawaiian Bank CRA Officer Joyce Borthwick, "Living and working in Hawaii, you can't close your eyes to the housing and economic challenges that low-income Native Hawaiians face. Our ability to sponsor Affordable Housing Program awards in support of these homeownership projects allows us to become part of the solution. First Hawaiian Bank is pleased to support Habitat for Humanity Maui in helping low-income Native Hawaiians become homeowners."

Part 3: Year in Review

In 2007, Seattle Bank members and their community partners used our community investment programs to provide 2,821 households with affordable rental and homeownership opportunities.

A Letter to the Community: With the 2007 subprime mortgage crisis and ensuing credit market collapse, increasing numbers of homeowners are at risk of losing their homes. A growing inventory of homes for sale has, in turn, put a heavy damper on new home construction and, in many areas of the country, on housing prices as well. A constrained credit market and declining property values mean that lenders, too, are struggling.

It will take time for the markets and regulators to work through the complex issues underlying the situation. Regardless of the ultimate solutions, however, one thing is certain. The Seattle Bank and its community investment programs are as important as ever to our members, to the individuals and families they serve, and to our communities overall. Our programs are vital not only because of the substantial funding they provide, but also because of the people and organizations they bring together to put that funding to work.

The Seattle Bank's Affordable Housing Program (AHP) is a great example. In 2007, the Seattle Bank awarded \$4.66 million in support of 23 projects across our district. The awards, which ranged in size from \$69,990 to \$400,000, were leveraged by our members and project sponsors to support \$127.8 million in affordable rental and homeownership projects. The project profiles included in this report offer two great examples of how our members and their community partners have used our AHP contributions, large and small, to create affordable housing in their communities.

The Home\$tart Program, which offers downpayment, closing cost, and rehabilitation assistance to first-time homebuyers, is growing in popularity with our members and their customers. In 2007, the Home\$tart Program disbursed \$3.78 million in Home\$tart Program funds to 746 homebuyers, and by the end of the year, 101 members were approved to participate in the program. The reasons are clear. The ability to offer downpayment assistance makes our members more

competitive lenders. The fact that first-time homebuyers have equity in their properties and participate in homebuyer education—typically provided by a local nonprofit—prepares them for owning a home and reduces our members' risks.

The Community Investment Program (CIP) and Economic Development Fund (EDF) offer discounted advances for affordable housing and economic development supporting households and communities at up to 115 percent of area median income. These programs, too, are increasingly popular with our members due to their flexibility in supporting a broad range of projects and financing structures and their simple, straightforward application process. At December 31, 2007, the Seattle Bank had \$649.9 million in discount advances outstanding for affordable housing and community economic development through these programs.

In 2008, the Seattle Bank will award more than \$5.1 million in AHP funding and at least \$2.8 million through the Home\$tart Program. In addition, the bank is expanding its CIP. The new CIP Plus offers \$100 million in discount advances for refinancing of adjustable-rate mortgages into fixed-rate mortgages at a time when solutions for a constrained credit market are needed most.

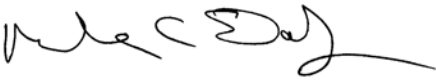
In every community, there is work to be done, and we know, based on our experience, that great things can happen when the right people and resources come together. The Seattle Bank's community investment programs help to accomplish this. Our programs unite members, housing groups, and a variety of other agencies in efforts that put our investments to work—to accomplish the good work that benefits homebuyers, renters, small businesses, and local lenders.

We thank the Seattle Bank's Affordable Housing Advisory Council, Board of Directors, and management for their roles in ensuring that

this critical funding is available and properly leveraged. We thank our members for underwriting AHP projects, for supporting their customers with the Home\$tart Program, and for their use of CIP and EDF. We also recognize our housing partners who prepare the funding applications, build the affordable housing projects, train the homebuyers, house the homeless, and otherwise work to improve the lives of so many in our communities—and our communities overall.

We encourage the Seattle Bank’s members to use these valuable programs. They are, after all, an important part of the value you can receive as a member of the Seattle Bank cooperative. Hopefully, this report will serve as a guide that you can use all year long to more easily access our programs and put them to work in your communities.

Sincerely,



Mike C. Daly
Chairman of the Board of Directors



Carol Gore
Chair, Affordable Housing
Advisory Council

2007 Community Investment Program Results

Affordable Housing Program

In 2007:

23 projects approved
12 urban / 11 rural
12 homeownership / 11 rental
11 serve homeless / 2 serve Native Americans
769 households served
\$4.66 million in awards

Since Program Inception:

817 projects approved
6,282 homeownership
20,846 rental
27,128 households served
\$137.79 million in awards
\$2.3 billion in total development costs

Home\$tart Program

In 2007:

746 households served
\$3.78 million in downpayment assistance
101 participating members

Since Program Inception:

7,273 households served
\$35.65 million in downpayment assistance

CIP/EDF

In 2007:

1,306 households served
232 homeownership
1,074 rental
\$70.8 million for low-interest loans / housing
\$25.9 million for low-interest loans / economic development

Since Program Inception:

45,442 households served
14,466 homeownership
30,976 rental
\$3.36 billion in low-interest loans / housing
\$150.12 million in low-interest loans / economic development

2007 AHP Funded and Alternate Projects

Alaska

Cook Inlet Homeownership

Anchorage – Wells Fargo Bank Northwest, N.A., and co-sponsor Credit Union 1 were awarded \$128,000 that Cook Inlet Lending Center, Inc., will use to provide downpayment and closing-cost assistance to eight households at or below 80 percent of area median income.

Hawaii

Waiehu Kou 4 – Turnkey

Wailuku – Bank of America Oregon, N.A., was awarded \$209,970 that will allow the Department of Hawaiian Homelands to provide downpayment assistance to 20 households earning 80 percent or less of area median income. The project represents the fourth phase of a larger project that will provide a total of 98 units of housing.

Idaho

Ponderosa Apartments

Sandpoint – Bank of America Oregon, N.A., was awarded \$370,947 that Spokane Housing Ventures will use to construct 60 units of housing, 53 of which will be reserved for households at or below 50 percent of area median income. The remaining seven units will be offered at market rate with no income restrictions. The project includes commercial space and a community center with a computer lab.

Silver Creek Apartments

Post Falls – Sterling Savings Bank was awarded \$258,950 that Community Development, Inc., will use to construct 38 one-bedroom apartments reserved for senior citizens. Qualifying residents will earn 50 percent or less of area median income. Eight units will be set aside for homeless households. The project will include approximately 7,000 square feet of community space for laundry facilities, a computer lab, and a manager's office, as well as a patio and garden space.

Oregon

Gospel Rescue Mission Men's Facility

Grants Pass – Evergreen Federal Savings and Loan Association was awarded \$400,000 that Gospel Rescue Mission will use to develop 78 units of housing for homeless households. Qualifying residents will earn 60 percent or less of area median income. The facility will offer counseling, computer skills training, budgeting, job skills training, and parenting classes, as well as other social services to residents. An onsite clothing exchange program, showers, daily meals, and social service counselors will be available to residents and nonresidents.

Habitat for Humanity – Blakely Road Development

Bend – Bank of the Cascades was awarded \$300,000 that Bend Area Habitat for Humanity will use to construct six single-family homes. Qualifying homebuyers will earn 75 percent or less of area median income. Two of the homes will be set aside for special needs residents.

Rolling Hills Low Income Development

Carlton – Citizens Bank was awarded \$110,000 that Yamhill Community Development Corporation will use to construct 11 mutual self-help homes. Qualifying homebuyers will earn 80 percent or less of area median income. All 11 homes will be reserved for first-time homebuyers.

Rose Quarter Condo A

Portland – Albina Community Bank was awarded \$400,000 that Central City Concern will use to rehabilitate a former motel into 132 apartments. Qualifying residents will earn 50 percent or less of area median income. Twenty-seven of the units will be reserved for homeless households and residents with special needs.

The Hayes

Eugene – Umpqua Bank was awarded \$209,797 that St. Vincent de Paul of Lane County will use to construct a four-story, mixed-use building that will include ground floor commercial space and 35 housing units. Qualifying residents will earn 80 percent or less of area median income. Several units will be set aside for households living with HIV/AIDS and homeless veterans.

VetLift II

Eugene – Umpqua Bank was awarded \$120,000 that St. Vincent de Paul of Lane County will use to rehabilitate an apartment complex into transitional housing for 21 chronically homeless veterans. One additional apartment will be provided as a manager's unit. Services will include mental and physical health care, drug and alcohol counseling, job training and placement, legal aid, permanent housing placement, and recreational activities.

Utah

Garden Park Apartments

Salt Lake City – Wells Fargo Bank Northwest, N.A., and co-sponsor Bank of American Fork were awarded \$400,000 that The Road Home will use to renovate a hotel into 213 units for homeless households. Qualifying residents will earn 60 percent or less of area median income. The project will include community space where the sponsor will provide onsite social services, including case management and parenting skills counseling.

Jessica's Ranch Estates

Payson – Bank of American Fork was awarded \$69,990 that Rural Housing Development Corporation will use to construct 10 mutual self-help homes for first-time homebuyers. Qualifying homebuyers will earn 80 percent or less of area median income.

Kamas/Parleys

Kamas/Park City – Wells Fargo Bank Northwest, N.A., and co-sponsor Bank of American Fork were awarded \$97,986 that Mountainlands Community Land Trust will use to construct 10 units of mutual self-help housing and four additional single-family homes. Qualifying homebuyers will earn 80 percent or less of area median income. Eight of the units will be reserved for first-time homebuyers.

Pine Meadows Subdivision

Spanish Fork – Bank of American Fork was awarded \$69,990 that Rural Housing Development Corporation will use to construct a 14-unit, self-help project. Qualifying homebuyers will earn 80 percent or less of area median income. Eight of the units will be reserved for first-time homebuyers.

Washington

Arrowleaf Village

Airway Heights – Bank of America Oregon, N.A., was awarded \$349,950 that Spokane Housing Ventures will use to develop 50 units for households at or below 80 percent of area median income. Eleven of the units will be set aside for homeless individuals, and 11 will be set aside for the disabled. The project includes a community center for onsite empowerment activities, a computer lab, and commercial space to be leased to a nonprofit organization

Bridge to Homeownership

Richland – Washington Mutual Bank, FSB, was awarded \$96,000 that the City of Richland will use to provide downpayment assistance on 16 units of scattered-site housing. All units will be reserved for first-time homebuyers earning 80 percent or less of area median income, with three units set aside for disabled individuals and one unit set aside for an elderly homebuyer.

Compass Center Lutheran Veterans

Renton – Charter Bank was awarded \$400,000 that Compass Center will use to construct 65 apartments serving homeless veterans and their families. Qualifying residents will earn 60 percent or less of area median income. Supportive services will include counseling for mental health, substance abuse, domestic violence, physical well-being, education, employment, economic self-sufficiency, and life skills.

Duvall Youth and Family Services

Duvall – Charter Bank was awarded \$80,000 that Hopelink will use to construct eight units of transitional housing for homeless families. Qualifying residents will earn 50 percent or less of area median income. The complex will include a shared community facility with office space, which will be used for youth counseling and adult education classes.

Forks Supportive Housing

Forks – First Federal Savings and Loan of Port Angeles was awarded \$97,986 that Serenity House of Clallam County will use to construct 14 units of housing for households affected by chronic mental illness. Qualifying residents will earn 50 percent or less of area median income. The project will include onsite case management and supportive services for residents.

Habitat for Humanity Spokane – More Than Houses

Spokane – Sterling Savings Bank was awarded \$117,000 that Habitat for Humanity Spokane will use to construct and rehabilitate the “More Than Houses” project, which will provide nine homes to first-time homebuyers at or below 50 percent of area median income. The project will construct four new duplexes and rehabilitate one single-family unit. Two of the units will be set aside for homeless individuals, and two will be set aside for elderly individuals.

Habitat for Humanity – Kitsap Homes 2008

Bremerton – Westsound Bank was awarded \$153,978 that Habitat for Humanity of Kitsap County will use to construct 22 homes in two locations. Residents will be first-time homebuyers earning 50 percent or less of area median income. Each household will contribute a minimum of 400 hours of sweat equity and complete a homebuyer education class.

Kulshan CLT HomeOwnership

Bellingham – Banner Bank was awarded \$140,000 that Kulshan Community Land Trust will use to provide 20 qualified homebuyers in Whatcom County with downpayment assistance. Qualifying homebuyers will earn 80 percent or less of area median income. Sixteen units will be reserved for first-time homebuyers, and four will be reserved for disabled individuals.

Mission Highlands Tribal Self-Help Homes

Tulalip – Frontier Bank was awarded \$79,992 that Housing Hope will use to construct eight mutual self-help homes on the Tulalip reservation. Qualifying residents will earn 70 percent or less of area median income. All units will be reserved for tribal members who are first-time homebuyers.

AHP Alternate Projects

Anacortes Family Center

Fidalgo Island, Washington – Peoples Bank was approved as an alternate for a \$62,100 award that Anacortes Community Shelter Project would use to construct nine units of housing. Eight units would provide transitional housing for homeless households, and one unit would be provided to an onsite manager. The project would include unique security features to accommodate victims of domestic violence and single parents.

Heather Glen

Veneta, Oregon – Umpqua Bank was approved as an alternate for a \$188,973 award that St. Vincent de Paul of Lane County would use to construct 27 apartments. Qualifying residents would earn 50 percent or less of area median income. The complex would incorporate sustainable and green building practices and include a community garden, wetlands area, play area, and a community building. Six units would be reserved for elderly households.

PC2 Homeownership

Pierce County, Washington – Rainier Pacific Bank was approved as an alternate for an \$83,988 award that would allow Pierce County Coalition for Developmental Disabilities Homeownership Program to provide downpayment and closing-cost assistance to 12 households with developmental disabilities. Qualifying applicants would be first-time homebuyers earning 70 percent or less of area median income.

Phoenix House

Kelso, Washington – Cowlitz Bank was approved as an alternate for a \$135,000 award that the Housing Authority of Longview would use to construct a supportive, mixed-use, 20-unit project. The housing would provide private bedrooms and bathrooms and shared kitchens and living areas for homeless households.

Community Investment Programs / Cumulative Funding Summaries

Alaska

Affordable Housing Program / 1990 – 2007

45 projects funded
1,333 households served
448 homeownership / mixed
885 rental
\$6.73 million in grants awarded
\$190.26 million in total development costs

HomeStart Program 1995 – 2007

417 homebuyers served
\$2.08 million in grants committed

Challenge Fund / 1992 – 2007

12 projects funded
257 households proposed
33 homeownership
224 rental
\$140,000 in grants awarded

Community Investment Program/Economic Development Fund / 1990 – 2007

1 project funded – CIP
160 households served
160 rental
\$200,000 in advances provided

ACCESS / 2000 – 2007

2 projects funded
\$60,000 in grants awarded

American Samoa/ Commonwealth of the Northern Mariana Islands/ Territory of Guam

Affordable Housing Program / 1990 – 2007

4 projects funded
103 households served
79 homeownership
24 rental
\$920,000 in grants awarded
\$12.85 million in total development costs

HomeStart Program 1995 – 2007

1 homebuyer served
\$3,306 in grants committed

Hawaii

Affordable Housing Program / 1990 – 2007

61 projects funded
2,342 households served
1,020 homeownership
1,322 rental
\$16.96 million in grants awarded
\$372.74 million in total development costs

HomeStart Program 1995 – 2007

111 homebuyers served
\$534,129 in grants committed

Challenge Fund / 1992 – 2007

14 projects funded
549 households proposed
213 homeownership
336 rental
\$160,000 in grants awarded

Community Investment Program/Economic Development Fund / 1990 – 2007

37 projects funded – CIP
15 project funded – EDF
3,906 households served
2,073 homeownership
1,833 rental
\$332.97 million in advances provided

ACCESS / 2000 – 2007

3 projects funded
\$110,000 in grants awarded

Idaho

Affordable Housing Program / 1990 – 2007

66 projects funded
1,798 households served
525 homeownership / mixed
1,273 rental
\$7.65 million in grants awarded
\$131.27 million in total development costs

HomeStart Program 1995 – 2007

1,252 homebuyers served
\$5.81 million in grants committed

Challenge Fund / 1992 – 2007

15 projects funded
277 households proposed
99 homeownership
178 rental
\$148,000 in grants awarded

Community Investment Program/Economic Development Fund / 1990 – 2007

13 projects funded – CIP
1 project funded – EDF
1,205 households served
486 homeownership
719 rental
\$3.26 million in advances provided

ACCESS / 2000 – 2007

2 projects funded
\$60,000 in grants awarded

Montana

Affordable Housing Program / 1990 – 2007

58 projects funded
1,550 households served
519 homeownership
1,031 rental
\$7.42 million in grants awarded
\$110.73 million in total development costs

HomeStart Program 1995 – 2007

1,292 homebuyers served
\$6.32 million in grants committed

Challenge Fund / 1992 – 2007

41 projects funded
789 households proposed
332 homeownership
457 rental
\$434,000 in grants awarded

Community Investment Program/Economic Development Fund / 1990 – 2007

40 projects funded – CIP
50 projects funded – EDF
1,769 households served
687 homeownership
1,082 rental
\$89.72 million in advances provided

ACCESS / 2000 – 2007

3 projects funded
\$58,000 in grants awarded

Oregon

Affordable Housing Program / 1990 – 2007

126 projects funded
4,496 households served
956 homeownership / mixed
3,540 rental
\$19.21 million in grants awarded
\$399.26 million in total development costs

HomeStart Program 1995 – 2007

962 homebuyers served
\$5.29 million in grants committed

Challenge Fund / 1992 – 2007

35 projects funded
613 households proposed
68 homeownership
545 rental
\$383,000 in grants awarded

Community Investment Program/Economic Development Fund / 1990 – 2007

88 projects funded – CIP
17 projects funded – EDF
4,085 households served
656 homeownership
3,429 rental
\$26.21 million in advances provided

ACCESS / 2000 – 2007

3 projects funded
\$155,000 in grants awarded

Washington

Affordable Housing Program / 1990 – 2007

355 projects funded
12,222 households served
1,287 homeownership / mixed
10,935 rental
\$61.89 million in grants awarded
\$1.42 billion in total development costs

HomeStart Program 1995 – 2007

1,795 homebuyers served
\$9.26 million in grants committed

Challenge Fund / 1992 – 2007

62 projects funded
1,914 households proposed
371 homeownership
1,543 rental
\$799,000 in grants awarded

Community Investment Program/Economic Development Fund / 1990 – 2007

427 projects funded – CIP
133 projects funded – EDF
24,144 households served
9,411 homeownership
14,733 rental
\$2.43 billion in advances provided

ACCESS / 2000 – 2007

7 projects funded
\$505,000 in grants awarded

Out of District

Affordable Housing Program / 1990 – 2007

7 projects funded
263 households served
61 homeownership
202 rental
\$1.36 million in grants awarded
\$29.91 million in total development costs

HomeStart Program / 1995 – 2007

49 homebuyers served
\$182,150 in grants committed

Community Investment Program/Economic Development Fund / 1990 – 2007

82 projects funded – CIP
10 projects funded – EDF
6,888 households served
144 homeownership
6,744 rental
\$256.70 million in advances provided

Utah

Affordable Housing Program / 1990 – 2007

62 projects funded
2,127 households served
1,023 homeownership / mixed
1,104 rental
\$11.11 million in grants awarded
\$205.16 million in total development costs

HomeStart Program 1995 – 2007

1,205 homebuyers served
\$5.25 million in grants committed

Challenge Fund / 1992 – 2007

27 projects funded
779 households proposed
120 homeownership
659 rental
\$256,000 in grants awarded

Community Investment Program/Economic Development Fund / 1990 – 2007

50 projects funded – CIP
14 projects funded – EDF
2,700 households served
1,009 homeownership
1,691 rental
\$178.38 million in advances provided

ACCESS / 2000 – 2007

2 projects funded
\$50,000 in grants awarded

Wyoming

Affordable Housing Program / 1990 – 2007

33 projects funded
894 households served
364 homeownership / mixed
530 rental
\$4.54 million in grants awarded
\$45.95 million in total development costs

HomeStart Program 1995 – 2007

189 homebuyers served
\$916,094 in grants committed

Challenge Fund / 1992 – 2007

4 projects funded
30 households proposed
30 homeownership
\$50,000 in grants awarded

Community Investment Program/Economic Development Fund / 1990 – 2007

26 projects funded – CIP
15 projects funded – EDF
585 households served
585 rental
\$28.43 million in advances provided

ACCESS / 2000 – 2007

2 projects funded
\$80,000 in grants awarded

2007 Affordable Housing Advisory Council



Carol Gore John Berdes Ren Essene



Peter Hainley Michael Stanfield Donald Tarleton



C. Ty Tippets

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President and Chief Executive Officer
Cook Inlet Housing Authority
Anchorage, Alaska
Representing: Alaska

John Berdes, Vice Chair
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homeWORD, Inc.
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Peter Hainley
Executive Director
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Executive Director
Nampa Housing Authority
Nampa, Idaho
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Michael Stanfield
Executive Director
Cheyenne Housing Authority
Cheyenne, Wyoming
Representing: Wyoming

Donald Tarleton
Member
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Honolulu, Hawaii
Representing: Hawaii

C. Ty Tippets
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St. George, Utah
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Russell J. Lau

Cynthia A. Parker**
Senior Vice President,
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Seattle-Northwest Securities Corp.
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*As of December 31, 2007

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*As of December 31, 2007

2007 Community Spirit Award

The Federal Home Loan Bank of Seattle's Community Spirit Award recognizes a Seattle Bank member that exemplifies the spirit of community partnership in creating affordable housing and economic development opportunities for residents, small business owners, and community service providers within our region.

The Seattle Bank's 2007 Community Spirit Award recognizes Alaska USA Federal Credit Union of Anchorage, Alaska, for its contributions to the communities it serves.

Alaska USA is a not-for-profit financial services cooperative with more than 318,000 members throughout the United States and around the world. Since it was established in 1948, Alaska USA has granted more than 1.9 million loans totaling over \$15.4 billion.

Alaska USA provides a wide range of consumer and commercial financial services, including a variety of competitive mortgage lending programs and origination services offered through its wholly owned subsidiary, Alaska USA Mortgage Company. The company's mortgage loan originators specialize in the purchase and refinance of one- to four-family residential properties and offer a high degree of personalized service in helping their customers find mortgage solutions that address their specific situations and personal financial needs.

Alaska USA's commitment to its customers is exemplified by its extensive use of the Seattle Bank's HomeStart Program. Since the HomeStart Program's inception in 1995, Alaska USA has distributed more than \$660,530 in HomeStart Program funds to serve 133 first-time homebuyers.

The Federal Home Loan Bank of Seattle is honored to support Alaska USA Federal Credit Union—and all of our member institutions—in making our communities better places to work and live.

Note: All figures as of December 31, 2007.



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To learn more about the Seattle Bank's community investment programs and the benefits they offer, please visit our Web site or contact our Community Investment Department.

Mission Statement

The Federal Home Loan Bank of Seattle is a financial cooperative that provides liquidity, funding, and services to enhance its members' success and support the availability of affordable homes and economic development in their communities.

