

**FEDERAL HOME LOAN BANK
OF PITTSBURGH**

**COMMUNITY LENDING PLAN
2007**

BACKGROUND / RATIONALE

The Federal Home Loan Bank of Pittsburgh (Bank) is pleased to provide its Year 2007 Community Lending Plan (hereinafter "Plan"). The Plan describes the Bank's efforts to assist its members in reaching their housing and economic development goals for the communities they serve. Within this Plan, we provide a summary of the unmet credit needs and market opportunities identified by the Bank for its district, which includes Delaware, Pennsylvania and West Virginia. These findings were derived from a variety of sources, including meetings with members and community stakeholders and research conducted during the preparation of the Bank's 2006-08 Strategic Plan.

On December 28, 1998, the Federal Housing Finance Board (FHFB) passed the Community Investment Cash Advance (CICA) regulation, affecting each of the twelve Federal Home Loan Banks. Under CICA, each Home Loan Bank is required to complete an initial assessment of the credit needs and market opportunities for community lending in its district. The regulation also required each Bank to develop an annual Community Lending Plan on or before January 31st. The Plan must be approved by the Bank's Board of Directors and submitted to the FHFB. While encouraging the Bank to develop new programs and initiatives, the regulation ultimately promotes renewed participation of member financial institutions in the housing and economic development of their communities. Requirements of the Plan are provided below:

A. Development of the plan requires that each Bank:

- ◆ Conduct market research in the Bank's district.
- ◆ Describe how the Bank will address the identified unmet credit needs and market opportunities in the Bank's district for community lending.
- ◆ Consult with its Affordable Housing Advisory Council, member institutions, housing associates and public and private economic development organizations in the district in developing and implementing its Plan.
- ◆ Establish quantitative community lending performance goals.

Each Bank must provide its member institutions with an annual notice containing:

- ◆ The identification of CICA programs and other Bank activities that may provide opportunities for a member to meet the community support requirements and to engage in community lending.
- ◆ Summaries of affordable community lending and housing activities undertaken by member institutions, housing associates, nonprofit housing developers, community groups, or other entities in the Bank's district, that may provide opportunities for a member to meet the community support requirements and to engage in community lending.

In response to the requirements set forth within the CICA regulation, the Federal Home Loan Bank of Pittsburgh implemented the following initiatives:

1. **Market Research** – The Bank’s 2006-08 Strategic Plan included a detailed analysis of market conditions and credit gaps. The Bank continuously augments its Strategic Plan through research, focus group discussions and consultations.

In 2006, the Bank’s Blueprint Communities initiative continued research on general community development topics as well.

In March 2006, the Bank commissioned a housing needs assessment of West Virginia, Pennsylvania and Delaware. The research and findings of this assessment will assist the FHLBank’s Board of Directors (Board) and Affordable Housing Advisory Council (Council) to better understand the regional characteristics and needs within the three-state district. This document is meant to provide a factual resource for the Board and Council in planning for the allocation of funds through the Affordable Housing Program (AHP). It is also intended to give the Board and Council a foundation of information of which further research can be built upon.

The Needs Assessment was prepared by the FHLBank’s Community Investment Department. Mullin & Lonergan Associates, Inc. provided consulting advice for the FHLBank at various points during the study.

2. **Action Plan** – In this Plan, the Bank provides an action strategy describing its intentions to address the credit needs and market opportunities identified during the market research.
3. **Consultations with Bank Stakeholders** – In the development of this Plan and during the preparation of the Strategic Plan and the Housing Needs Assessment the Bank consulted with the following organizations:
 - ◆ Affordable Housing Advisory Council (AHAC)
 - ◆ Member financial institutions and housing associates
 - ◆ Public and private economic development organizations
4. **Performance Goals** – In this Plan, the Bank has established quantitative community lending performance goals.

II. CREDIT NEEDS AND MARKET OPPORTUNITIES SUMMARY

A. MARKET RESEARCH PROCESS

The Bank annually conducts research in the Bank's district to identify opportunities for stockholders to increase the availability of affordable housing finance, community development finance, and financial and credit services in underserved neighborhoods and communities. In conducting research and identifying opportunities, the Bank consults with stockholders, housing associates, the Advisory Council and public and private housing and economic development organizations within the district.

Market research was conducted in 2006 through the use of both primary and secondary sources. Primary sources include interviews, focus groups, surveys and direct observations. Secondary sources involve reviewing research and analysis prepared by other entities.

The FHLB of Pittsburgh conducted market research to identify potential credit needs and market opportunities. The primary source of the market research was conducted during the preparation of the Bank's 2006-08 Strategic Plan. The objectives of this research included:

- Determining the community lending gaps within the 3rd District;
- Identifying the District's most critical credit needs;
- Seeking opportunities to target the Bank's financial and technical resources to assist member financial institutions to address identified credit gaps.

The research included an examination of the credit needs within the Bank's District through the following process:

- Analysis of the CICA regulation and the implications of the Community Reinvestment Act on community lending;
- Evaluation of the Bank's existing tools for community and economic development;
- Review of relevant existing reports and studies, including statewide consolidated plans;
- Outreach efforts to key economic development stakeholders including:
 - Member financial institutions
 - Public/private economic development organizations
 - Community financial intermediaries and technical assistance organizations
 - The Bank's Board of Directors and Affordable Housing Advisory Council

The report draws on all of these resources to provide an understanding of the district's credit needs and market opportunities.

In addition to the 2006-08 Strategic Plan, the Bank commissioned a Housing Needs Assessment in March of 2006. The study was commissioned in order to give the Bank a generalization of housing conditions in the district.

The highlights of this study are found in the following Summary of Credit Needs and Market Opportunities.

B. SUMMARY OF CREDIT NEEDS AND MARKET OPPORTUNITIES

Excerpt from the Bank's 2006-08 Strategic Plan:

Economic Outlook

The U.S. economy should grow at or slightly below its long-run potential through the first half of the strategic plan period. Growth of about 3.5% per annum is likely. Growth in the past few years has benefited from strong underlying fundamentals: low interest rates, low inflation, healthy productivity growth and strong business balance sheets. As we enter the second half of the period, growth should slip toward the 3% level, which is close to the average level of growth in the past three decades. This downshifting should be expected, given the loss of both monetary and fiscal stimulus. Additional headwinds will be presented by high and rising energy prices, which reduce consumer discretionary spending, and a weakening U.S. dollar. A growing, but slower economy suggests that demand for FHLB advances may be steady, if not dramatic.

Capital Spending & Consumer Spending

The outlook for capital spending is bright. Corporate investment will be the primary driver of growth through the plan period. Investment will pick up first as inventories are worked down. Investments will be mostly geared towards productivity-enhancing equipment and software. With higher fuel and energy prices, companies will realize economic benefit from increasing expenditures in more energy-efficient buildings and machinery. Also, as distractions such as Sarbanes-Oxley fade, businesses will return their attention to business investment.

Consumer spending, which accounts for 70% of the total economy, has been upheld by the "wealth" effect occasioned by rising home prices, but this should be a factor only during the first quarter of the plan period. Wages and salaries will grow, but the impacts of the 2001 and 2003 round of tax cuts, as well as the period of historically low interest rates, are fading. Consumer spending growth should begin to recede beginning in 2006 and trend lower through the plan period. Consumer spending should pull back to slightly lower than its longer-term historical average of 3.2% as the plan period progresses.

Consumer spending will contend with the loss of mortgage refinancing opportunities and higher home equity borrowing costs as interest rates rise. Cash-out refinancings are expected to fall by 60% in 2006 by FHLMC. Additional slippage should be expected in 2007. To the extent that cash-out refinancings and Home Equity Loans (HELs) and Home Equity Lines of Credit (HELOCs) have been used to pay down or

replace debt, consumer balance sheets should be in better position to weather the loss of future opportunities to bolster spending capability. The lack of personal savings will continue to be a problem. That is, deposit growth in our members is not likely to improve.

Housing

Housing activity should maintain its vibrant pace before turning lower in mid-2006. The year 2005 will mark the fifth consecutive year of record home sales. In 2006, full-year activity should turn lower as mortgage rates follow Treasury rates higher and as speculative activity wanes.

Housing prices will back off their recent torrid pace. A slow deflation of the housing price "bubble" is seen, but not an outright collapse. Average U.S. home prices rose 12.5% in the first quarter of 2005 over the same period in 2004, the fourth consecutive quarter of double-digit price appreciation with median prices rising above the \$200k level for existing homes for the first time ever. This plan projects this as a peak.

Affordability, which reached a 14-year low in this year's second quarter, will remain a long-term problem. The last time affordability was this low was in 1991 when 30-year mortgage rates were 8.90%. Affordability issues have spawned non-standard mortgage products, such as interest-only or option mortgages, that carry varying levels of risk and which could include negative amortization. These may leave some households, and consumer spending in general, vulnerable to unforeseen shocks.

Additional research identified credit needs and market opportunities for community lending. These were as follows:

- ◆ Oftentimes community banks do not have the resources and/or capacity to capitalize on community lending and investment opportunities. The Bank could offer new products and/or services to assist member banks to more fully participate in community development.
- ◆ Communities do not approach revitalization in a comprehensive manner. Comprehensive Neighborhood Development (CND) is either not done or is inadequate. Leadership, planning training and capacity-building are critical needs relative to promoting CND.
- ◆ In many non-profit organizations there continued to be a "brain drain" caused by the loss of skilled, experienced personnel to private sector jobs in other states or regions. This creates the need to continually train new personnel and develop renewed relationships with funders (like the Bank) and government agencies. Throughout the district (particularly in West Virginia and in rural areas), there is a lack of experienced development organizations who fully understand the pre-requisites to become a competitive applicant for Bank, Department of Housing & Urban Development (HUD) and other national/regional funding sources.
- ◆ Funding for predevelopment is limited.

- ◆ The lack of modern sewage, water, roads and other infrastructure necessities is still a significant problem in many rural communities. In most cases, the problem is better defined as having very old and underdeveloped systems that can no longer handle the needs of more modern communities.
- ◆ Funding programs locally, statewide and nationally do not complement each other in their targeted goals and application process. This creates a zero-sum situation where developers must often choose to mold a project to meet the needs of one funding source, at the expense of meeting the preferences for a second (although needed) funding source. For this reason, many projects are not fully funded and are therefore never implemented.
- ◆ Small businesses are clearly the major provider of employment opportunities within the district. Assistance for start-up and expansion of small businesses is a significant need within the district.
- ◆ There is a clear need to address the lack of available credit for firms located within low-income areas and for minority-owned and women-owned firms regardless of their locations.
- ◆ There are certain transactions that local banks cannot fund. Local nonprofits, Small Business Investment Companies (SBICs) and Community Development Financial Institutions (CDFIs) could serve as conduits for financing of small businesses without sacrificing the importance of proper credit worthiness analysis.
- ◆ Rural businesses show disparities in available credit sources and a lack of local organizations to serve as financing conduits and technical assistance providers.
- ◆ The need for equity capital, collateral enhancements or lower interest rates are the most common barriers to small businesses.
- ◆ The Bank's Community Investment products should be continually enhanced to streamline processing.
- ◆ Economic development programs should be linked to technical assistance through entities such as Service Corps of Retired Executives (SCORE) or Small Business Development Centers.
- ◆ Comprehensive and sustainable community development, including site preparation and redevelopment and neighborhood revitalization, are high priorities. However, most comprehensive strategies, such as brownfield redevelopment, require substantial public subsidies.
- ◆ Poor financial literacy, especially in low/moderate income households, is a significant issue throughout the district.

In addition to the housing analysis mentioned in the above excerpt from the Strategic Plan of 2006-2008, the Housing Needs Assessment conducted in March, 2006 identified seven specific district-wide housing needs. The following list of these seven needs is in the order of importance according to the response from the needs assessment survey.

District-wide Needs

1. Housing for extremely low income households (< 30% AMI)
2. Rehabilitation/Demolition of existing housing stock
3. Housing for special needs populations
4. Homeless individuals and families
5. Housing for elderly persons (ages 55 +)
6. Rural area concerns
7. Uneven growth and out migration from older communities

Critical Needs

1. Minority Homeownership
2. Workforce Housing

III. 2006 Performance and 2007 ACTION PLAN

The Bank had a very active and exciting year. The information below, and on the attached table, highlight the Bank's 2006 performance.

Minority Homeownership Initiative - In November 2004, the Bank kicked off its new Minority Homeownership Initiative with a financial literacy program designed to counsel at least one thousand low-income young adults by 2009. In January 2005, the Bank, along with nine banks serving Allegheny County, launched My Money, My Life: Financial Fitness for Young Adults in Allegheny County. My Money, My Life (MMML) is a free, five-year program aimed at educating young adults, ages 16-19, in low- to moderate-income neighborhoods about financial issues important to them throughout their lives. Program goals include increased financial literacy and avoidance of credit abuse by at least 1,000 young adults by 2009 and enrollment of several hundred parents, guardians or caregivers in similar financial literacy programs over the same period.

MMML Bank Partners include the Federal Home Loan Bank of Pittsburgh, the developer of the program, and nine area banks including Dwellinghouse Savings and Loan, ESB Bank, Iron & Glass Bank, Laurel Savings Bank, National City Bank, Northwest Savings Bank, PNC Bank, Sewickley Savings Bank and Sky Bank.

In 2006, My Money, My Life conducted sessions at ten locations across Allegheny County – Carnegie, Coraopolis, Downtown, East Pittsburgh, Glassport, the Hill District, Knoxville, Lawrenceville, Spring Garden and Swissvale. Participating banks included Dwelling House Savings & Loan Association, ESB Bank, First Commonwealth Bank, Iron & Glass Bank, National City Bank, Northwest Savings Bank, PNC Bank, Sewickley Savings Bank and Sky Bank.

As in the first year of the program, 2006 graduates displayed significantly enhanced understanding of financial concepts and skills based on self-evaluations conducted before and after classes. Students demonstrated:

- A 17 percent average increase in setting aside money for future wants and needs
- A 45 percent average increase in using a spending plan or budget
- An 80 percent increase in writing goals to manage their money
- A 42 percent improvement in achieving money management goals
- A 94 percent boost in knowing the costs associated with using payday and check cashing stores
- A 135 percent increase in understanding the costs of buying on credit.

In 2006, My Money, My Life instituted an advanced curriculum for graduates of the basic class. Three initial advanced classes were held, with plans for a full complement across 2007. Fifty-five students graduated from the first round of advanced classes and displayed the following newfound knowledge:

- A 28 percent average improvement in knowing how to track expenses
- A 127 percent average increase in understanding how to buy a car and obtain a loan
- A 61 percent improvement in knowing what is involved in renting an apartment
- A 23 percent improvement in understanding what is involved in buying a house
- A 232 percent boost in knowing how to get a loan to start a small business.

Blueprint Communities – In 2005, the Federal Home Loan Bank of Pittsburgh (FHLBank) and its partners developed Blueprint Communities (BC), a revitalization and leadership initiative that serves as a catalyst for creating sustainable communities in our region. In 2005, the initiative was focused on Pennsylvania, successfully helping 22 communities to move forward in their quest for sustainability.

In 2006, FHLBank began the expansion of the initiative into West Virginia by working and partnering with 12 leaders in the WV community development movement and aligning financial and support initiatives. Through these partnerships, 26 referrals were received for potential Blue Print Communities. The Community Investment Department staff, working with the WV partners, evaluated the referred communities. By year-end 2006, 12 communities were identified and sent a request for proposal (RFP), which details the eligibility requirements and provides the foundation for fair selection. All 12 communities completed the RFP. Curriculum, facilities, celebration and evaluation plans are in place for the program to begin in Spring 2007.

New Products - In 2004, the Bank introduced the Public Deposit Access (PDA) program which experienced continued growth in 2005. Working with the Pennsylvania Local Government Investment Trust (PLGIT), our member banks accept municipal deposits from the Trust. The Bank underwrites a Letter of Credit to support the creditworthiness of the member bank. This enables deposits from Pennsylvania municipalities to be channeled into Pennsylvania banks to support their communities' needs as opposed to being invested into the national capital markets.

The Prepayment Linked Advance (PPLA) was introduced in 2005 and is expected to gain increased importance to community banks in the future. The PPLA enables members to borrow an advance from the Bank which prepays based on the behavior of a member-selected mortgage pool. The PPLA adds another tool to community banks' financial toolbox. Typically, community banks sell mortgages in the secondary market to use traditional deposits or borrowings whose cash flows have no direct relationship to mortgage paydowns. The PPLA provides a new twist which helps to reduce earnings volatility: community banks can

portfolio loans and fund them with advances (for portions of their lives) that prepay like a mortgage.

Community Investment Products and Activities

Community Lending Program - The Bank funded \$43.9 million in specific project financing, an increase of 11% over 2005.

Affordable Housing Program - Completed two funding rounds, approving \$14.65 million in AHP subsidy to 66 projects - creating 1,974 affordable housing units - having a total development cost of approximately \$251.68 million.

Banking On Business - Approved approximately \$7 million for small businesses in 2006. Since 2000, BOB has funded a total of \$25.6 million to 301 businesses, leveraging nearly \$145 million of total financing.

First Front Door - Over 974 new homebuyers funded in 2006, pushing the total number of families assisted to 5034 since 1996.

Housing Event Sponsorships- The Bank sponsored 8 housing conferences in 2006, including the Housing Alliance of Pennsylvania State Conference, PAHRA Annual Conference and WV Governor's Housing Conference.

Homework 2006 - More than 50 Bank employees and family members joined Hosanna Industries in the 2006 HomeWork project during the week of October 16th. The project consisted of the rehabilitation of two homes, one in Sewickley and one in Tarentum.

Other Events - Completed several successful AHP/Congressional events. Conducted multiple AHP consultations and training sessions and Bank representatives attended 37 groundbreaking, ribbon cutting, and special events.

The following summarizes the Bank's performance in 2006:

<u>2006 Goals</u>	<u>2006 Performance</u>
Expand use of Bank's Community Investment Products	
<ul style="list-style-type: none"> • Community Lending Program- \$42 million to specific projects • Banking on Business- commit \$7 million to small businesses • First Front Door- commit \$4.5 million to first time home-buyers 	<ul style="list-style-type: none"> • \$43.9 million • \$7 million committed • \$6 million committed
Letters of Credit	
<ul style="list-style-type: none"> • \$1 billion 	<ul style="list-style-type: none"> • \$1.7 billion total; \$841million standard LOC and \$843 million PDA.
Community Development Investing	
<ul style="list-style-type: none"> • \$10 million HFA bonds. 	<ul style="list-style-type: none"> • \$27.4 million purchased
Technical assistance to members and CBOs	
<ul style="list-style-type: none"> • Continue workshops and technical assistance. 	<ul style="list-style-type: none"> • Conducted 40 consultation sessions prior to the 2006 AHP funding rounds.
Create new products and delivery capacities	
<ul style="list-style-type: none"> • Continue to explore new product opportunities relative to the provision of financial services in the Hispanic community. 	<ul style="list-style-type: none"> • \$44,825 grant to Asociacion Puertorriquenos en Marcha (APM) for Economic Mobility Center and \$45,000 grant to National Council on Agricultural Life and Labor Research Fund (NCALL) for financial literacy programs.
Increase capacity in underserved areas	
<ul style="list-style-type: none"> • Hire a consultant to enhance presence in WV • Expand Blueprint Communities into WV 	<ul style="list-style-type: none"> • Hired Laura Kemp-Rye as WV consultant • 10 West Virginia communities selected for Blueprint training
Expand access of intermediary lenders	
<ul style="list-style-type: none"> • Enhance relationships with intermediaries 	<ul style="list-style-type: none"> • Continued to fund investment in Mountaineer Capital, an SBIC in WV and began analysis of opportunity to invest in multi-bank CDC in Western Pa.
Establish presence as a community/economic development leader	
<ul style="list-style-type: none"> • Co-sponsoring events and implementing the Bank's public relations and government relations plans. • Present pillars and council awards 	<ul style="list-style-type: none"> • Co-sponsored various housing conferences and workshops. Attended 37 groundbreaking and ribbon cutting events. • Presented 4 pillars awards and 1 council award
Promote minority homeownership	
<ul style="list-style-type: none"> • Replicate My Money, My Life. 	<ul style="list-style-type: none"> • 196 participants completed the program and instituted an advanced graduate curriculum

2007-Goals – Summary

2007 Goals

1. Expand use of the Bank’s existing community lending products and services.

- | | |
|------------------------------|--|
| A. Community Lending Program | \$46 million to specific projects |
| B. Letters of Credit | \$1.9 billion |
| C. Taxable Bond Purchases | Complete a new negotiated public finance transaction |
| D. Banking On Business | Commit \$7 million to small businesses |

2. Address Strategic Goals.

A. Promote quality community development through strong leadership and community-based revitalization strategies.

- Align our resources to invest in communities poised for redevelopment, that possess a high probability for sustainable growth (“emerging communities”) by increasing the amount of AHP funds directed to these communities.

Rollout changes to AHP’s Community Stability category.

Continue to address critical housing needs throughout our district, regardless of location.

Continue/expand financial literacy.

Implement a Pilot Housing Rehabilitation Program.

- Foster community leadership, collaboration and planning.

Launch Blueprint Communities in West Virginia; at least 5 communities complete the training.

B. Enhance our role as a catalyst for community banks.

- Expand participation of community banks in affordable housing and community/economic development.

Increase community bank participation in community investment products by 34 banks.

- Provide outreach and education for community banks that cannot support in-house CRA staffs.

Provide at least 6 product workshops.

Invest in a multi-bank CDC.

- C. Seek opportunities to generate additional profit through community-oriented ventures.

- **Capitalize on our financial expertise** to enhance the financing of community development.

Identify ideas that can be developed into a “for profit” community-related product.

3. Promote and Support Community Development

A. Partnerships

Co-sponsor events, implement the Bank’s Public Relations and Government Relations plans.

Present Pillars and Council awards

2007 Goals Descriptions

1. **Expand the use of the Bank’s existing tools for targeted community lending through the following:**

1(A). Community Lending Program

The Bank has created a loan product that incorporates the broader eligibility criteria permitted in the CICA regulation. The loan product, called the Community Lending Program (CLP), is priced at the Bank’s cost of funds.

Creative partnerships with federal, state and local economic development funders will be cultivated to produce leverage opportunities. Combining loans with loan guarantees, Banking On Business funds, or creative equity investments from third parties could be incorporated to achieve greater value and impact.

The Bank will continue to emphasize specific project financing; member banks using CLP to match-fund loans to specific deals.

2007 Goal: *The Bank will loan \$46 million in CLP funds to qualified specific projects.*

1(B). Letters of Credit

The Bank's LOC may be used for a variety of purposes, including to assist members to participate in municipal or state bond issues to fund projects such as hospital expansions, independent living facilities for seniors or other economic development initiatives. All three states in the Bank's district permit LOCs to secure public unit deposits.

In 2004, the Bank's Business Research and Development Department developed the Public Deposit Access (PDA) product. PDA offers the Bank's Pennsylvania members the opportunity to use our Letter of Credit (LOC) to secure additional investments from public entities, such as local governments, authorities and school districts. PDA involved a collaboration between the Bank, member banks and the Pennsylvania Local Government Investment Trust (PLGIT), a mutual fund for public institutions. The Bank's AAA-rated LOC provides members the credit support required to secure public deposits through PLGIT. As the PDA matures it will enhance the value of the LOC product.

2007 Goal: *The Bank will issue \$1.9 billion in LOCs.*

1(C). Taxable Bond Purchases

The Community Development Investing tool offers great potential for meaningful housing and community development. The Bank has shown a strong commitment to this area by developing strong relationships with the state housing finance agencies.

The Bank has invested in specialty community development and municipal financings. As with housing authority bonds, the Bank's investments are taxable rather than tax-exempt. Working either directly with a municipal authority or through securities dealers, the Bank offers flexibility of terms not normally encountered in traditional underwritings.

2007 Goal: *Complete a new negotiated public finance transaction.*

1(D). Banking On Business Program

In 2000, the Bank successfully launched the Banking on Business (BOB) program, which is designed to assist member-financed small business start-ups and expansion. Under BOB, the Bank has funded \$25.6 million from 2000-06. An additional \$7 million will be allocated to BOB in 2007.

2007 Goal: *Continue the BOB program and commit all available funds to eligible small businesses. A portion of the BOB funds are set-aside for Blueprint Communities and other community development initiatives.*

2. Address Strategic Goals

2(A). Promote quality community development through strong leadership and community-based revitalization strategies.

- Align our resources to invest in communities poised for redevelopment, that possess a high probability for sustainable growth (“emerging communities”) by increasing the amount of Affordable Housing Funds (AHP) directed to these communities.

2007 Goal: *Changes to the Affordable Housing Program will be implemented rewarding communities that are developing quality community development strategies. These changes will facilitate communities to view housing as part of the overall strategy and to view development as a long term process.*

- Continue to address critical housing needs throughout the district, regardless of location.

2007 Goals: 1) *Continue and expand our successful financial literacy initiative, My Money, My Life. The program goal is to reach 1000 young adults by 2009 and enroll several hundred parents, guardians or caregivers in similar financial literacy programs over the same period.*

2) In response to the Housing Needs Assessment, which identified an urgent need for rehabilitation of existing housing stock, the Bank will implement a Pilot Rehabilitation Program by completing the program requirements, application process, procedures, legal agreements and database. Working through members, the Bank will commit \$1 million in viable projects.

- Foster community leadership, collaboration and planning.

The Bank and its partners developed the Blueprint Communities Initiative that will serve as a catalyst for creating sustainable neighborhoods in Pennsylvania, West Virginia and Delaware.

The mission of the Blueprint Communities is to serve as a catalyst to revitalize older communities and neighborhoods.

Objectives:

- Fostering strong local leadership, collaboration and development capacity in older neighborhoods.
- Serving as a catalyst for revitalization based on sound local and regional planning that includes a clear vision for the community and a comprehensive implementation strategy.
- Encouraging coordinated investments in targeted neighborhoods by public and private funders via a "funders network" concept.

2007 Goal: *The Bank will expand Blueprint Communities into West Virginia. The primary component of the Blueprint Communities Initiative (BCI) in WV will involve community revitalization training to core teams, which will include a group of eight local leaders. Six days of training is planned for the BCI spanning at least a six-month period. The training will require substantial time commitment by the core team members. At least five communities must complete the training.*

2(B). Enhance our role as a catalyst for community banks.

- Expand participation of community banks in affordable housing and community economic development.

2007 Goal: *1.) Increase community bank participation in community investment products by 34 new banks and
2) Invest in a multi-bank CDC.*

- Provide outreach and education for community banks that cannot support in-house CRA staffs.

The Bank provides a well-trained group of professionals who are respected by members, community-based organizations (CBOs) and affordable housing developers. The staff meets with members to serve as a resource in completing the statements, as well as providing assistance to these groups on the use of our housing and community investment products. This practice will continue to be provided as a component of the Bank's 2007 Plan.

The CID will continue to introduce members to community groups or other sponsors of affordable housing and community development projects. In addition, to serve as an effective liaison with members, the CID and the

Government Relations staff continue to forge relationships with organizations and agencies participating in federal, state and local housing programs. In addition, the bank will provide product training at the community bank location when possible.

2007 Goal: *The Bank will provide at least six product workshops at locations throughout the district and will assist member financial institutions to complete Community Support Statements.*

2(C). Seek opportunities to generate additional profit through community-oriented ventures.

- Capitalize on our financial expertise to enhance the financing of community development.

2007 Goal: *Identify ideas that can be developed into a "for profit community-related product.*

3. Promote and Support Community Development

- Partnerships

2007 Goal: *The Bank will continue to establish and foster partnerships through the following specific initiatives:*

Conference Sponsorship: The Bank will seek opportunities to co-sponsor community development events.

Targeted Marketing Strategy: The Bank's Government Relations, Communications and Community Investment Departments have developed a targeted marketing and public relations strategy that includes increased contact with community and economic development organizations. The Bank will monitor the effectiveness of the strategy in 2007.

Pillars of the Community Awards: At regional stockholders' meetings, the Bank honors member financial institutions as partners who have completed exemplary housing or community investment projects. By promoting these awards at the regional meetings, members see firsthand innovative approaches to meeting credit needs within local communities. In addition, the Bank promotes the award recipients via national and local media, as a means to highlight innovative approaches to creating affordable housing and community investment.

V. ADDITIONAL MARKET OPPORTUNITIES RESEARCH

The 2007 Plan requires the Bank to continue conducting research on credit needs and market opportunities. At the onset of its research phase, the Bank aggressively sought to receive comprehensive feedback regarding the needs of underserved communities and populations. This research was designed to provide the foundation for many of the Bank's future lending plans and community investment programs.

The Bank's commitment to accurately assessing the current and future needs of its District will continue. As a supplement to our current research findings, the Bank will have ongoing dialogue with the many agencies, housing developers and member banking institutions that participate in affordable housing and community investment initiatives. Our goal will be to supplement our current information database with new resources which may better equip the Bank to address the goals of its Plan. Such information is expected to be derived from the many partnerships currently existing between the Bank and its various constituents district-wide.