

Federal Home Loan Bank of Atlanta

Annual Community Lending Plan

For 2007

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Pursuant to Section 944.6 of the regulations for Community Investment Cash Advance (CICA) programs, FHLBank Atlanta (Bank) must submit a Community Lending Plan no later than January 31 of each year. This is the Bank's plan for 2007, which was developed by staff in close consultation and collaboration with the Bank's Affordable Housing Advisory Council (Advisory Council) and adopted by the Bank's board of directors on November 30, 2006.

Background

In 1999, the Bank conducted its first formal assessment of the community lending needs and opportunities in its district. That assessment highlighted the promise in lower-income communities of community-based development that is linked to financial markets. It recognized the important role that financial institutions play in community economic development. It noted that the organizing function within communities must be performed by organizations other than financial institutions. These other organizations include community development corporations (CDCs), community development financial institutions (CDFIs), cooperatives, and local quasi-governmental development authorities.

That assessment concluded that a variety of elements are needed for economic development to occur: visionary leadership, capable development organizations, funds for planning and organizational support, and dependable sources of long-term, below-market-rate debt financing. The Bank recognized that some of these requirements, such as organizational support and comprehensive planning, are best addressed by other types of organizations.

Recognizing the inherent limitation of its role and mission in implementing community development, the Bank adopted programmatic initiatives that would leverage its support by connecting with other partners who could provide resources needed for community economic development that the Bank does not provide.

Beginning with a \$1 million commitment in 1999, the Bank has provided a total of \$29.5 million in subsidies to support CICA programs and initiatives through 2006.

Response to District Needs

The Bank continuously assesses conditions and opportunities affecting community lending within its district. This assessment occurs partially through outreach by Bank staff to members and potential end users of CICA products and services and through on-going input from the Bank's Advisory Council.

The Bank's community partners and members need continuous training on CICA programs and updating on the changes to the programs. In a continuing effort to assist our financial institutions in community development lending, Bank staff has increased its visits to individual members across the district to discuss community investment products and how members can use them to make loans for community development projects.

The Bank introduced web-based training via the internet in 2006, which allows more members and project sponsors to participate in training on the Bank's EDGE program from the convenience of their offices.

Recognizing the need to introduce the concept of community development lending to some members and to enhance the knowledge of others, the Bank devoted a half-day session to presenting a community development strategy module at its 2006 Annual Member Conference. The module included a session on ways for members to assess and capture new markets by using the Bank's prototype for a process to find lending opportunities and thereby increase market share. The Bank also brought in nationally-recognized leaders in the field of community economic development to discuss the evolution of the industry, roles of the public and private sectors and examples of community development lending.

In 2005, at the recommendation of the Bank's Advisory Council, the Bank initiated a process to evaluate the effectiveness of its Predevelopment Fund. This effort included a survey distributed to more than 900 sponsors who have used the Bank's programs. The purpose of the survey was to determine what worked well and what could be improved. Staff members also interviewed 20 other organizations offering predevelopment funds. In 2006, staff did further work to analyze the the Bank's program. The Bank found that the number of resources available to support predevelopment expenses of nonprofits in its district had increased significantly in the past five years and the demand for the Bank's program had been low, with a substantial portion of the program's funds unutilized. Only 47 applications (an average of nine applications per year) had been submitted to the Bank. Only 25 of these applications were approved, for a total of \$2.3 million. Additionally, the amount of staff time required to oversee this niche program was substantial. The Bank reviewed this analysis with the Advisory Council and the board of directors, and in May 2006, the board determined to discontinue the program and focus the Bank's CICA subsidies on the Bank's EDGE program.

The Bank's Voluntary CICA Programs and Initiatives

In looking toward 2007, the Bank reviewed the history of the Bank's voluntary implementation of CICA initiatives to better understand what has worked, where the needs appear greatest, where gaps exist in the delivery system, where opportunities exist for strategic progress, and what big challenges confront community development.

This plan helps identify and define ways to meet the credit needs of the Bank's district. The Bank's ability to meet credit needs is linked to the capacity of the system serving those needs. Member institutions and local development organizations are two key elements of that system. The initiatives and strategies in this plan address, in one way or another, the capacity of these two sectors.

Based on our initial assessment in 1999, and the ongoing assessments referenced above, the Bank will offer the following voluntary CICA programs in 2007: the Economic Development Program (EDP), The Economic Development and Growth Enhancement (EDGE) program, and the EDGE Opportunity Fund.

The Bank's 2007 CICA programs are described below.

Economic Development Program (EDP)

The EDP advance is provided to members to support commercial and economic development activity that benefits low- and moderate-income communities.

These advances are priced at the Bank's cost of funds plus administrative costs. Loans supported by these advances must be closed three months prior to the date of the EDP advance and/or within six months following the date of the EDP advance.

The member provides one-time documentation of the loans supported by the advance within six months after disbursement of the advance.

EDP funds must be used by the member to finance activities that meet one of the following criteria:

- Small business loans (as defined by the Small Business Administration)
- Loans in targeted geographic areas (census tract with a median income at or below the targeted income level*; designated low- or moderate-income community; Champion Community; Enterprise Community; Empowerment Zone; Native American Indian area; community impacted by NAFTA; an area eligible for federal Brownfield Tax Credits; federal disaster area; or an area impacted by a military base closing)
- Loans to businesses that will create or retain jobs for low- or moderate-income individuals (51% with salaries below the targeted income level*)
- Loans to entities that provide services to low- or moderate-income families (51% of the beneficiaries will have incomes below the targeted income level*)

EDP funds may be used to:

- Directly fund loans
- Purchase eligible loans
- Purchase participations in or provide financing to loan consortia that make eligible loans
- Make loans to entities that make eligible loans

EDGE (Economic Development and Growth Enhancement)

EDGE is a voluntary, below-market advance program developed to encourage and support members' efforts in community economic development. The Bank provides an annual pool of funds to subsidize the rates on advances to members for community economic development projects that meet certain eligibility requirements. Members, in turn, make subsidized-rate loans to project borrowers.

* Maximum targeted income level is 115% of the area median income for rural areas, and 100% of the area median income for urban areas.

EDGE funding is offered once each year. Member financial institutions must submit EDGE applications by the application deadline date of July 1 (or the first business day thereafter if July 1 falls on a weekend).

Only certain activities are eligible for an EDGE advance. These are grouped in four broad categories: Neighborhood Enrichment, Businesses and Employment, Commercial and Retail, and Infrastructure. Eligible activities include:

- Child-care center
- Community center
- Health-care facility
- Recreational facility
- Business creating permanent jobs at living wages with basic benefits
- Micro-loan fund (micro-loan = \$35,000 or less)
- Job-training facility
- Small business incubator
- Neighborhood commercial revitalization activity (including festive farmers markets, cultural-based activities, etc.)
- Grocery store
- Shopping center

Projects supported by EDGE funding must

- Provide a primary benefit to individuals/neighborhoods based on at least one of the following:
 - **Jobs** – at least 51% of the jobs created or retained by the project will have starting salaries at or below 80% of the area median income; or
 - **Services** - at least 51% of the families who benefit from or are provided services by the project will have incomes at or below 80% of the area median income; or
 - **Location** - the project will be located in a census tract where the median income is at or below 80% of the area median income.
- Be located in the Bank's district.
- Demonstrate the need for a subsidized-rate loan.
- Draw down and use the EDGE funding within 24 months of approval.
- Use the EDGE funding for permanent financing with a loan term of 24 months or longer.
- Reflect the EDGE discount to the member in the interest rate to the project borrower.

The maximum subsidy the Bank will use to reduce the EDGE loan rate is \$700,000 per project. EDGE funding cannot be used for refinancing or to fund loans closed prior to the EDGE approval date. EDGE funding cannot be used to fund working capital or operational expenses, or lines of credit.

Following project approval, members and project borrowers are required to sign an EDGE Project Agreement and submit Semiannual Progress Reports until the EDGE loan is closed. Members may request up to two six-month extensions of the 24-month disbursement time limit for good cause shown, but all decisions to grant or reject extensions shall be at the sole discretion of the Bank and shall be final when made. In extreme cases, a member may request more than two six-month extensions, but only the Director of Community Investment Services or the Chief Operating Officer may approve such exceptions to the Bank's policy. For three years following the funding date, the member and borrower must provide an EDGE Project Annual Status Report.

EDGE Opportunity Fund

The EDGE Opportunity Fund (EOF) allows the Bank, at its discretion, to fund projects outside the normal annual EDGE funding round. The EOF provides the Bank with flexibility to fund emerging, unique, and promising opportunities that require special packaging and partnering to be viable. Applications for the EDGE Opportunity Fund must be accompanied by a written rationale for the necessity for out-of-round funding. Applications should be discussed with Bank staff prior to submission and must be submitted at least two months in advance of the date on which the board of directors will be asked to consider the request.

Bank Policies for CICA Targeted Beneficiaries

For individual beneficiaries, the Bank uses the family median income of the area, as published annually by HUD.

The Bank uses the most recent census tract median income data available on the Federal Financial Institutions Examination Council website, www.ffiec.gov, to determine if a project is located in a neighborhood at or below the targeted income level. Neighborhood eligibility for mobile home parks under CIP is determined in the same manner.

For qualifying small business loans, the Bank excludes businesses that are excluded by the Small Business Administration under 13 CFR Part 120.110 or any successor provisions.

2007 Quantitative Performance Goals:

The Bank's overarching community lending goal is to increase member use of community lending programs in a greater geographic diversity. This translates into the following quantitative goals for 2007:

- Offer two community development Internet-based training sessions: one on EDGE, and the other an introduction to CIS programs for members and community partners typically involved in the sponsorship and delivery of community economic development projects.

- Conduct a community development strategy workshop module at the Bank's Annual Member Conference, which attracts approximately 120 member community financial institutions each year.
- Expand member participation in Community Investment Services program by increasing the number of visits to individual members and community partners to increase interest in community development lending and provide technical assistance on the process.
- Provide leadership by offering corporate sponsorship of major nonprofit conferences held in our district. This is an excellent way to market CIS programs to our members and potential project sponsors.
- Collaborate with the Bank's Corporate Communications and Government and Industry Relations departments to showcase CIS-funded projects, develop greater awareness of the Bank's community development contributions, and expand our community development partnerships with member, public officials, and community leaders.
- Seek to explore federal government and foundation funding to support the Bank's HBCU technical assistance initiative to train and support HBCUs in project development.