

## 2009 COMMUNITY LENDING PLAN

### BACKGROUND

The Community Investment Cash Advance (12 CFR 952) and Community Support (12 CFR 944) regulations obligate each Federal Home Loan Bank to develop an annual Community Lending Plan for approval by the Board of Directors. In order to successfully develop this plan consistent with the regulation, the Seattle Bank's practice has been to:

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

### THE FEDERAL HOME LOAN BANK OF SEATTLE

As of October 31, 2008, the Seattle Bank had \$73 billion in assets, 389 stockholder members and six approved housing affiliates. The Seattle Bank's market includes eight states (Alaska, Hawaii, Idaho, Montana, Oregon, Utah, Washington and Wyoming), the Northern Mariana Islands and the Territories of Guam and American Samoa. This region is home to one-third of the Native American reservations in the United States, encompassing Alaska Natives, Native Hawaiians, and the Native Peoples of the western Pacific Islands.

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

### *SUBSIDY PROGRAMS*

The Affordable Housing Program (AHP) is a competitive program that provides funding for the capital costs associated with affordable housing. As of October 31, 2008, AHP had committed \$135.6 million in subsidy to assist 26,926 low-income households. Home\$tart and Home\$tart Plus (H\$P) are a set aside from the AHP that provide non-competitive grants for low- and moderate-income, first-time homebuyers. As of October 31, 2008, H\$P had provided \$38.6 million to help 7,854 households. Between January 1, 2008 and October 31, 2008, 912 first-time homebuyers were enrolled and 598 received a disbursement of Home\$tart subsidy.

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

## **ADVANCE PROGRAMS**

The Community Investment Program, Economic Development Fund, and Community Investment Program Plus (CIP/EDF/CIP Plus) comprise a \$1 billion revolving advance pool for affordable housing and economic development that benefits low- and moderate-income individuals and neighborhoods. As of October 31, 2008, the Seattle Bank had made a total of \$3.44 billion in discounted CIP/EDF advances to fund 47,532 units of affordable housing for low and moderate income households and 330 economic development projects. Through the CIP/EDF, the Seattle Bank also offers discounted prices on its letters of credit and forward rate locks for qualifying projects.

## **MARKET RESEARCH**

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

## **2008 PERFORMANCE GOALS AND PROGRESS**

The goals are written in italics and are followed by a report of the progress toward that goal.

1. *16 members that were not approved to participate in Home\$tart in the 2007 calendar year will be approved in 2008.* As of October 15, 2008, 21 members that were not approved to participate in Home\$tart in 2007 were approved in 2008. These members include:

Jonah Bank of Wyoming, Boeing Employees Credit Union, GESA Credit Union, Advantis Credit Union, American Marine Bank, Point West Credit Union, SouthWest Community FCU, DL Evans Bank, Golf Savings Bank, Waunu FCU, Bank of Lovell (Bridger) NA, HawaiiUSA FCU, St. Helen's Community FCU, Hawaii Community FCU, Rainier Pacific Bank, Warren FCU, Rogue Federal Credit Union, First Utah Bank, American Bank of Commerce, Ravalli County Bank, America West Bank.

2. *Six members that had not used CIP/EDF in 2007 will be approved for CIP/EDF advances in 2008.* As of October 15, 2008, ten members that had not used CIP/EDF in 2007 were approved in 2008 for a total of 16 CIP advances (\$21,375,315) and 26 EDF advances (\$49,525,188). These members include:

Community Bank Missoula Inc., Bank of Bridger (Lovell), Columbia Community Bank, Bank of the Rockies, N.A., MBank, Oregon Trail Bank, Golf Savings Bank, Plaza Bank, Community Bank, Washington First International Bank, and Treasure State Bank.

3. *Seattle Bank Relationship Managers meet with Advisory Council members twice a year in the state represented by that council member.* Meetings were held between the Relationship Managers and Advisory Council members from Alaska, Hawaii, Wyoming, and Montana.
4. *Upon availability of resources, a revolving and recoverable predevelopment grant program will be made available.* This goal has been postponed pending availability of resources to administer the program.
5. *Implementation of a new community investment database will be actively pursued.* Upon completion of a rigorous RFP and interview process, a vendor was selected to develop a new database application for the AHP and Home\$start programs. Detailed existing and desired workflows were developed to inform the functional specifications that are in the process of being completed. Design work will begin in November 2008 and the new database application will be in use by members, housing sponsors, and bank staff in 2009.

Although not stated in the community lending goals for 2008, significant gains in member and community outreach were achieved. For example:

- In-person outreach efforts to promote our community investment programs included meetings with at least 80 members and approximately 70 housing sponsors. Specifically:
    - 18 one-on-one member visits that highlighted how participation in the Seattle Bank's community investment programs is a benefit to the institution.
    - Seven trade association or other member events were hosted or facilitated by the Seattle Bank and attended by approximately 60 financial institutions.
    - Six regional or other meetings attended by housing sponsors and members.
  - Technical assistance for the AHP and Home\$start programs was provided as follows:
    - 2008 AHP funding round - Three Web seminars attended by 46 staff from 20 member institutions and 73 staff from 41 housing organizations.
    - 2008 AHP Compliance – Three Web seminars attended by 19 staff from 16 member institutions and 26 staff from 22 housing organizations.
    - Home\$start – Two Web seminars attended by 112 individuals from 55 member institutions and three housing organizations.
  - A presentation was made to the Board of Directors at an AHP project in Montana that included information on affordable housing trends nationally, in Montana, and in Whitefish, as well as information on the dynamics between housing sponsors and members in developing AHP projects. A keynote presenter was a member of the Advisory Council.
  - The 2008 Community Spirit Award was presented at the 2008 Management Conference to a member and housing sponsor of an AHP project.
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## **2009 PERFORMANCE GOALS**

1. Implement a new database application for Community Investment programs that streamlines application and monitoring processes for members and housing sponsors and promotes operational efficiencies for program administration.
  2. Provide comprehensive staff training to enhance the rigor and consistency of AHP disbursement and monitoring processes, documentation, and analysis.
  3. Pending Federal Housing Finance Agency and Seattle Bank Board of Director approval, in consultation with the Affordable Housing Advisory Council, expand the set-aside program to allow it to be used to refinance mortgages approved by the HOPE for Homeowners program.
  4. Through leadership provided by the Affordable Housing Advisory Council and Board of Directors, pursue an effort to modernize AHP's ability to respond to local housing needs.
  5. Host at least one event for members and members of congress that showcases the Seattle Bank's community investment activities.
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