

# 2012 COMMUNITY LENDING PLAN

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## I. Introduction

The Community Investment Cash Advance (CICA) regulations require each Federal Home Loan Bank to establish a Community Lending Plan. This plan, to be adopted on an annual basis, shall be approved by the Bank's Board of Directors and address the following areas:

1. The Bank's market research within the District;
2. How the Bank will address the unmet credit needs identified within the District; and,
3. How the Bank will establish quantitative community lending performance goals.

## II. Market Study and Needs Analysis

The Bank shall engage a qualified third party to conduct the 2012 community housing and economic development needs assessment for the Ninth District. The Bank will continue to meet with its Advisory Council, community groups, small business development organizations, state housing agencies and Bank members on a regular basis to discuss District needs. In addition, the Bank continues to enhance its marketing and educational activities for both housing and economic development initiatives.

## III. Market Research Analysis Results

Unmet or underutilized opportunities identified by the National Low Income Housing Coalition in its' community housing and economic development needs assessment for the Ninth District, commissioned by the Bank in 2010, include:

### **Housing**

- Decent, stable rental housing that is affordable to the lowest income households, particularly in rural communities and areas with a shortage of rental housing;
- Rental housing that is safe, affordable, and accessible, and that includes services for those with special needs, such as the elderly and disabled;
- Assistance for very low-income homeowners, particularly the lowest income families, the elderly, and the disabled, to make repairs to maintain their homes; and
- Reduction of high and variable utility costs (need for energy efficiency) in much of the existing affordable housing stock

### **Economic Development**

- Critical need for new jobs and industries in the Bank's district and considerable interest in diversifying the district's economy by creating jobs through "green" building; and
- Need for extensions of credit to small businesses, particularly in the form of micro-loans.

#### IV. Technical Assistance

The Bank provides extensive technical assistance for program users through workshops conducted around the Ninth District, and on a daily basis through telephone and electronic communications. Specific activities include the following:

1. **Members Regional Workshops:** In the beginning of 2011, FHLB Dallas conducted 6 training workshops. These workshops were held in the following locations:
  - a. Irving, TX
  - b. Houston, TX
  - c. Baton Rouge, LA
  - d. Little Rock, AR
  - e. Albuquerque, NM
  - f. Jackson, MS

The Bank expects to conduct workshops in the same or nearby cities during the first quarter of 2012.

2. **Banking Conferences:** Also during 2011, the Bank staff participated in and attended regional banking conferences. Below is a list of conferences attended:
  - a. Arkansas Bankers Association
  - b. Louisiana Bankers Association
  - c. New Mexico Bankers Association
  - d. Mississippi Bankers Association
  - e. Texas Banker Association
  - f. Independent Bankers Association

The Bank expects to participate in the same or similar banking conferences during 2012.

3. **Technical Assistance:** The Bank staff is available on a daily basis to assist members, nonprofit organizations, local governments, for-profit developers and community groups with assistance for affordable housing and community development projects.

#### V. Current Programs

The Bank currently offers the following programs:

1. Housing programs:
  - a. Affordable Housing Program (AHP)
  - b. Homebuyer Equity Leveraging Partnership (HELP)
  - c. Community Investment Program (CIP)
  - d. Special Needs Assistance Program (SNAP)
  - e. Housing Assistance for Veterans Program (HAVEN)
2. Community development programs:
  - a. Economic Development Program (EDP)
  - b. Economic Development Program<sup>Plus</sup> (EDP<sup>Plus</sup>)
  - c. Disaster Relief Advances Program
  - d. Partnership Grant Program

## VI. Lending Programs

1. CIP provides favorably priced advances to support the financing of housing benefiting families with incomes at or below 115 percent of the area median income.
  - a. CIP Advances can be used to:
    1. Purchase, refinance, construct or rehabilitate individual owner-occupied housing properties that benefit families with incomes at or below 115 percent of the area median income
    2. Purchase, refinance, construct or rehabilitate rental housing or multiple units of owner-occupied housing where at least 51 percent of all families have incomes at or below 115 percent of the area median income
    3. Purchase state housing finance agency bonds or mortgage-backed securities representing pools of loans that could be funded directly with CIP advances
    4. Purchase a participation interest or provide financing to participate in a loan consortium for housing projects
    5. Purchase low-income housing tax credits
    6. Make loans to entities that, in turn, provide funding for eligible housing projects
    7. Fund CIP eligible loans that originated 3 months prior to CIP advance
  - b. Funds are available throughout the year on a non-competitive basis
  - c. CIP advances may not exceed, at the time the advance is approved the lesser of 15 percent of a member's total assets, or \$200 million
  - d. Member must meet the Bank's standard capital stock and collateral requirements
  - e. Term of the CIP advance cannot exceed the term of any permanent financing extended to the borrower
  - f. Members are required to limit their rate mark-up of the interest rate on loans made using CIP advances to 300 basis points for owner-occupied projects and 400 basis points for rental housing projects in consideration of the preferential rates received on CIP advances.
2. EDP assists Bank members with financing projects that lead to job creation or job retention for low- and moderate-income wage earners or provide services to low- and moderate-income families and communities.
  - a. Types of Economic Development Projects:
    1. Commercial, industrial, and manufacturing activities
    2. Social service and other community or public facility projects and activities
    3. Public or private infrastructure projects, such as roads, utilities and sewers
  - b. Funds can be used to:
    1. Fund permanent financing to the borrower for economic development projects
    2. Purchase a participation interest or provide financing to participate in a loan consortium for economic development projects
    3. Make loans to entities that, in turn, make loans for economic development projects
    4. Purchase mortgage revenue bonds or mortgage-backed securities, where all loans financed by the bond or all loans backing the securities meet EDP requirements
    5. Fund EDP eligible loans that originated 3 months prior to EDP advance
  - c. EDP advances may not exceed, at the time the advance is approved the lesser of 15 percent of a member's total assets, or \$200 million
  - d. Members must meet the Bank's standard capital stock and collateral requirements
  - e. Term of the EDP advance cannot exceed the term of the permanent financing extended to the borrower
  - f. Members are required to limit their rate mark-up of the interest rate on loans made using EDP advances to 400 basis points in consideration of the preferential rates received on EDP advances.

## VII. New Initiative

The Bank has begun to assist households who have an occupant who became disabled as the result of their active military service since September 11, 2001. Grant recipients must have received a Purple Heart or higher award and be qualified as physically disabled by the Veteran's Administration, a branch of the U.S. Military, the Federal government or other acceptable source. The program is designed to support home modifications made necessary as a result of the occupant's disability and is open to active duty personnel as well as veterans. This program, to be known as the Housing Assistance for Veterans (HAVEN) program was funded with a one time commitment of \$250,000 from Bank earnings beginning in the fourth quarter of 2011.

- a) Grant recipients must have received a Purple Heart or higher award and be qualified as physically disabled by the Veteran's Administration, a branch of the U.S. Military, the Federal government or other acceptable source.
- b) HAVEN funds may not exceed \$7,500 per household.
- c) Households must have a family income of 110% or less of the median income for the area at the time the household is accepted for enrollment by the member in the Bank's program.
- d) Only home modifications related to the veteran's or service member's disability will be eligible.
- e) Households may not receive any cash back from the modification.

## VIII. Ongoing Initiatives

The Bank continually assesses the needs of its members, and offers new products and services when market research indicates a need.

3. The HELP (Homebuyer Equity Leverage Partnership) initiative is an example of the Bank's responsiveness to the changing needs of its members as identified through member interaction. HELP was developed following research that showed the biggest barrier to homeownership for many prospective first-time buyers in the Ninth District was the challenge to accumulate enough savings for a down payment.
  - a. Funds are available for first-time homebuyers for down payment and/or closing costs. (not to exceed \$5,000 per homebuyer).
  - b. Homebuyers are required to complete a homebuyer education course.
  - c. \$1,700,000 in HELP funds were available in 2011, bringing the total funds committed to this program since inception to \$15.1 million.
  - d. Each member may utilize up to \$40,000 per \$1,000,000 offered in HELP funds per year.
4. EDP<sup>Plus</sup> Overview: EDP<sup>Plus</sup> Small Business Capital Grant was developed to help small businesses address the need for working capital, especially for start-ups and those wanting to expand.
  - a. Funds may be used to provide small businesses with working capital for start-up or expansion, and can be used to:
    1. Purchase buildings
    2. Construct buildings
    3. Expand facilities
    4. Purchase machinery and equipment
    5. Pay for closing costs
  - b. Funds are allocated to members on a first-come, first-served basis.
  - c. Funds must be used in conjunction with an EDP advance and small business owner equity.

- d. \$1 million in EDP<sup>Plus</sup> funds were made available in 2011, bringing the total funds committed to EDP<sup>Plus</sup> since program inception to \$10 million. The Bank intends to commit an additional \$1 million in 2012.
  - e. Members may apply for a maximum of \$100,000 in EDP<sup>Plus</sup> grants each year, with up to \$25,000 in funding available for any one small business.
  - f. The small business owner must contribute at least 15 percent equity of the EDP advance.
  - g. EDP<sup>Plus</sup> grant funds may constitute no more than 15 percent of the EDP advance or \$25,000, whichever is less.
5. Partnership Grant Overview:
- a. Designed to enhance capacity building for community based organizations involved in affordable housing programs and small business technical assistance providers within the district, and can be used to:
    1. Organization capacity building
    2. Assistance in applying for grants
    3. Research and Studies
    4. Contractual Services
  - b. Funds are allocated to members through a lottery system.
  - c. \$225,000 in Partnership Grant funds were made available in 2011.
  - d. The Bank intends to commit an additional \$225,000 in 2012.
  - e. Member institution cash contribution of \$500-\$5,000 will be matched at a 3:1 ratio up to a maximum lifetime grant of \$30,000. No in-kind contributions or donations will be matched.
  - f. Eligible community based organizations must have an annual revenue of \$500,000 or less.
6. Disaster Relief Advances Program Overview:
- a. Designed to finance any project which assists in the recovery efforts in officially declared disaster areas in the Bank's district. The purpose of the program is to help aid families and individuals whose homes or businesses were damaged or destroyed.
  - b. Funds are available for a period up to 90 days following a federal disaster.
  - c. Funds can be used for residential and commercial properties, community facilities, equipment, inventory and personal property.
  - d. Advances terms range from overnight up to 30 years.
  - e. Disaster Relief advances are available at 10 basis points below the Bank's regular Economic and Community Development Program rates which are already priced at the Bank's cost of funds.
  - f. Income eligibility limits for Advances are expanded to 165% of the area median income.
  - g. Member institutions and their customers that are located in or have branch offices in the officially designated disaster area(s) may borrow under this program.
7. Special Needs Assistance Program Overview:
- Started in 2009, the Bank now offers the Special Needs Assistance Program ("SNAP") as an AHP homeownership set-aside program under which the Bank disburses AHP direct subsidy to rehabilitate a single-family home which is used as the household's primary residence. The Bank disburses SNAP funds on a homeowner-by-homeowner, first-come, first-served basis during an annual offering cycle beginning January 1 of each year and continuing until the amount of funds allocated to SNAP for that year is exhausted or the following December 31, whichever occurs first. Any unused SNAP funds will be reallocated to the general pool of AHP funds at the end of the calendar year.
- a. Only special needs households are eligible. The household will qualify if at least one household member meets the special needs definition.
  - b. SNAP funds may not exceed \$5,000 per household.

- c. Households must have a family income of 80% or less of the median income for the area at the time the household is accepted for enrollment by the member in the Bank's set-aside program.
- d. If households receive financial counseling or maintenance training which is sufficiently documented to the Bank, up to \$500 in training costs may be paid with SNAP funds.
- e. \$2.1 million in SNAP funds were made available in 2011 bringing the total funds committed to SNAP since its inception to \$5 million.

VIII. 2011 Goals

<b>Programs/Actions</b>	<b>2011 Goals</b>
<i>Average CICA Advances Funded/LCs Issued</i>	\$1,600 million
<i>Total CIP/EDP Advances/LC Users</i>	80
<i>New CIP/EDP Projects Funded</i>	275

IX. 2012 Strategies

1. Continue utilization of CIP and EDP advances and letters of credit by the Bank's membership. The Bank will continue to promote the use of these products with its members.
2. Explore opportunities to collaborate with and/or support other funding sources in specific states and communities in the Ninth District to address targeted community development funding needs.
3. Collaborate with the Bank's Corporate Communications, and Member Sales Departments to highlight community development funded projects, continue to develop greater awareness of the Bank's community development contributions, and expand community development partnerships with members, public officials, state housing finance agencies and community leaders.
4. Support members' efforts to rebuild communities damaged by natural disasters and house displaced individuals and families as the need arises.
5. The 2012 goals will be incorporated into the Community Lending Plan after they are approved by the Board of Directors.