

# Business Opportunities in Community Development Lending

## Responding to Vermont's Changing Housing Environment

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# Today's Topics

- Introduction of FHLB Boston
- Community Investment Programs
- Our Response, Current Changes, and Potential Solutions to Vermont's Housing Environment

## FHLB Boston

- A cooperatively-owned, wholesale bank
- Served shareholders since 1932; 463 members
- Over \$50 billion in assets (12/31/2011)
- Enhance the availability of credit by providing liquidity products and services that facilitate housing and economic growth
- Administer Housing and Community Investment Programs
- Over 20 years of working with members and housing developers

## Membership Profile

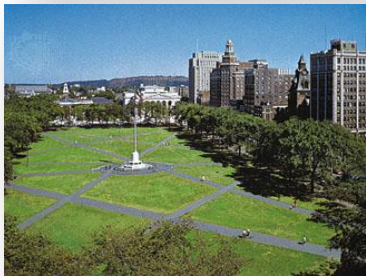
**463 Members: 212 thrifts, 154 credit unions, 70 commercial banks, 27 insurance companies**



**Massachusetts**  
239 members  
Advances: \$9.4B  
Capital Stock: \$1.1B



**New Hampshire**  
34 members  
Advances: \$1.1B  
Capital Stock: \$104M



**Connecticut**  
78 members  
Advances: \$4.0B  
Capital Stock: \$493M



**Vermont**  
29 members  
Advances: \$0.4 billion  
Capital Stock: \$58M



**Maine**  
61 members  
Advances: \$2.1B  
Capital Stock: \$183M



**Rhode Island**  
22 members  
Advances: \$6.9B  
Capital Stock: \$1.7B

# Affordable Housing Programs

| \$Millions                            | CT        | MA        | ME        | NH      | RI      | VT             | Total      |
|---------------------------------------|-----------|-----------|-----------|---------|---------|----------------|------------|
| <b>Community Development Advances</b> |           |           |           |         |         |                |            |
| \$ Disbursed                          | \$1,853.3 | \$6,903.7 | \$1,013.5 | \$684.8 | \$351.3 | <b>\$617.4</b> | \$11,424.0 |
| Small Business Funding                | \$473.0   | \$1,316.5 | \$561.8   | \$192.1 | \$78.3  | <b>\$287.0</b> | \$2,908.7  |
| Total CDA Housing Units               | 10,511    | 51,158    | 7,555     | 7,831   | 2,764   | <b>4,576</b>   | 84,395     |
| <b>Affordable Housing Program</b>     |           |           |           |         |         |                |            |
| Direct Subsidy/Grant                  | \$22.4    | \$77.4    | \$24.9    | \$13.1  | \$9.3   | <b>\$10.9</b>  | \$158.0    |
| Subsidized Advances                   | \$25.8    | \$88.9    | \$10.5    | \$13.3  | \$19.1  | <b>\$20.8</b>  | \$178.4    |
| Total AHP Subsidy                     | \$28.6    | \$93.6    | \$27.8    | \$16.2  | \$13.8  | <b>\$15.6</b>  | \$195.6    |
| Total AHP Units                       | 3,147     | 13,250    | 2,576     | 1,435   | 1,154   | <b>1,584</b>   | 23,146     |
| <b>Equity Builder Program</b>         |           |           |           |         |         |                |            |
| \$ Disbursed                          | \$1.6     | \$7.0     | \$2.1     | \$1.2   | \$0.9   | <b>\$2.9</b>   | \$15.7     |
| Total EBP Units                       | 159       | 737       | 203       | 91      | 72      | <b>258</b>     | 1,520      |
| Total Housing Units                   | 13,817    | 65,145    | 10,334    | 9,357   | 3,990   | <b>6,418</b>   | 109,061    |

## Affordable Housing Program

- Funded through 10% of the Bank's annual net earnings
- Provides flexible grants and subsidized loans for affordable housing production and preservation
- Use for acquisition, hard and soft construction, developer fee, interest rate buy-down, home-ownership counseling costs, and down payment/closing cost assistance
- Supports all rental and homeownership housing models
- Members underwrite and submit applications with developers
- Competitive funding round, over \$13.7 million subsidy in 2012

## Equity Builder Program

- A separate set-aside of the Bank's Affordable Housing Program -- \$2.4 million available in 2012
- Grants up to \$10,000 for the purchase of a home
- Assists home buyers that qualify for a mortgage, but lack funds for down payment and/or closing costs
- Covers rehabilitation cost in connection with purchase
- Leverages members' existing residential mortgage products, helps to expand residential lending
- Can be used in conjunction with other subsidy and down-payment assistance programs

## Community Development Advance

- Discounted advance that supports affordable housing, economic development, and mixed-use initiatives
- Eligible housing includes single-family and multi-family owner-occupied and rental housing, cooperatives and manufactured housing parks
- Eligible economic development includes commercial, industrial, manufacturing, social service, public facility, and public or private infrastructure
- Eligibility based on geographic and targeted beneficiaries of the funds



## Response to Changing Environment

- Annually development a Community Lending Plan that identifies the housing and credit needs (rural and urban)
- Conduct community development consultations, outreach, and forums with financial institutions and community stakeholders
- Leverage ideas and recommendations of 14 member Advisory Council comprised of housing and economic development nonprofit organizations and HFAs
- Translate recommendations into Affordable Housing Implementation Plan and programmatic changes

## Examples of Responses: Revolving Loan Funds/CDFIs

- Revolving Loan Funds can now access the AHP and relend principal and interest repayments for subsequent lending to eligible projects
- Certified, non-depository CDFIs can now become members of the FHLB Boston
  - Access to long-term, fixed rate capital at low interest rates in a variety of terms and maturities
  - Access to community investment programs
  - Meet the lending needs of their communities
  - Evolve business model from short-term to longer-term lenders

# Example of Responses: VT Disaster

## Recovery Roundtable

- Held a roundtable with key leaders to discuss ways in which we could augment our programs to assist in the recovery efforts of households and businesses impacted by Hurricane Irene
  - Research income limit metrics to possibly expand the number of eligible households (MRB vs. HUD)
  - Create a separate set-aside program that would allow rehabilitation funds for existing home owners (AHP)
  - Research mechanism to allow subsidy to write down interest rate on mortgage financing
  - Work with group of mobile home financing product – CDA Extra could be used as the underlying funding source (lower costs of funding, long-term match funding, mitigate interest rate risk)

## Bottom line

- FHLB Boston partnership model with its members brings private capital and subsidy to meet changing housing and economic development needs
- Current community investment programs are having a significant impact on housing and community economic development
- Community Investment Programs can be adapted to deal with the new funding, lending, regulatory, and housing environment
- FHLB Boston will continue its outreach efforts and role as facilitator and convener to bring housing and economic development issues to light in an attempt to develop flexible and creative solutions