

## FEDERAL HOME LOAN BANK OF SAN FRANCISCO

### 2013 Community Lending Plan

#### Introduction

The Bank gives regular updates to the Affordable Housing Advisory Council (AHAC) and the Board on the Bank's progress in developing and implementing the Community Lending Plan (Plan). The AHAC and the Board review progress on the Plan and help identify new areas of opportunity for promoting the Bank's community investment programs. The activities described in Section I are designed to gather input for the Plan from members, housing associates, and public and private economic development organizations in the Bank's district. Sections II and III outline plans for the Bank's 2013 non-mandated grant program, Access to Housing and Economic Assistance for Development (AHEAD), and for Community Support Program activities. Section IV describes the Bank's quantitative community lending performance goals.

The AHEAD program and the homeownership set-aside programs, the Individual Development and Empowerment Account (IDEA) Program and the Workforce Initiative Subsidy for Homeownership (WISH) Program, were developed in response to identified credit needs and market opportunities in the Bank's district. In 2012, the Bank expanded the IDEA Program to incorporate lease-to-own programs that offer low- and moderate-income families that have lost their homes an opportunity to repair their credit and save money to eventually purchase a house. In 2013, the Bank plans to continue to promote this feature of the IDEA Program and to support efforts to address the affordable housing needs of returning veterans and former prisoners. In addition, the Bank plans to focus on the affordable housing and social service needs of at-risk youth.

The activities identified in Sections I, II, and III are similar to those in the 2012 Community Lending Plan. Section I.G. now includes support for efforts to reach out to at-risk youth and to include broadband technology in affordable housing projects. Section I.H. describes the Bank's commitment to supporting the efforts of members, housing associates, and community partners to address the loss of many traditional funding sources for affordable housing. Section III.A. now includes language, related to Section I.H., in support of potential programmatic changes to the Affordable Housing Program (AHP) to respond to the loss of other funding sources.

In Section IV, management has changed the quantitative goals to align them with the Bank's corporate goals. The number of members that receive awards from the AHEAD program has been added to the first goal; the Bank-sponsored AHP workshops and the technical assistance goal have been replaced with the number of members participating in a Bank-sponsored workshop or receiving technical assistance on the use of the Bank's programs or products.

The goal for the number of conferences, meetings, and workshops that Bank staff either actively participate in or convene remains, but is lower than in 2012 because of the reallocation of departmental resources. The last goal specifies the target amount of small

business, small farm, and small agribusiness loan collateral to be pledged as of yearend 2013 by community financial institution (CFI) members that receive borrowing capacity on their CFI collateral. The target amounts are higher than in 2012 but are not expected to significantly increase from the year-to-date figures. The unpaid principal balances (UPB) of CFI collateral grew 9% year-to-date, but this trend is not expected to continue because of merger activity and general economic uncertainty. As a result, the Bank does not forecast an increase in UPB of CFI collateral in 2013. The Bank also does not expect any additional CFI collateral from new CFI members. This goal assumes a 10% increase in members that begin to pledge CFI collateral in 2013 as a result of changing their pledging method from specific identification to blanket lien, which allows them to receive borrowing capacity on their CFI collateral.

### **Recommendation**

Management recommends that the Board approve the proposed 2013 Community Lending Plan that appears on pages 3-5.

## 2013 Community Lending Plan

- I. Develop and Maintain Relationships with Members and Community and Economic Development Organizations**
  - A. Create opportunities to support and participate in conferences and workshops sponsored by community organizations.
  - B. Develop, sponsor, and co-sponsor workshops and meetings to promote relationships among the Bank, its members, housing associates, and community-based organizations.
  - C. Provide technical assistance to community and economic development organizations on the Bank's programs and products.
  - D. Provide support to community-based organizations, including faith-based organizations, to link such organizations to sources of technical assistance, experienced partners in community development, and advocacy groups.
  - E. Support members, housing associates, and their community partners in their foreclosure prevention and community recovery initiatives through the competitive AHP, the AHP set-aside programs, and the AHEAD program.
  - F. Continue outreach and information sharing activities to promote the IDEA program eligibility of low- and moderate-income families participating in lease-to-own programs.
  - G. Support members, housing associates, and their community partners in their efforts to address the needs of returning veterans, released prisoners, and at-risk youth, and in their efforts to include broadband technology in affordable housing projects.
  - H. Support members, housing associates, and their community partners in their efforts to respond to the loss of affordable housing funding resources as a result of the termination of the Redevelopment Agencies in California and the loss of housing trust funds in Arizona and Nevada.
  
- II. Non-Mandated Grant Program: Access to Housing and Economic Assistance for Development (AHEAD)**
  - A. Promote the AHEAD program and encourage members and housing associates to participate.
  - B. Accept and evaluate applications and administer the program in 2013.
  
- III. Community Support Program Activities**
  - A. Promote affordable housing finance and partnerships among members, housing associates, and community developers and support programmatic changes to the AHP, if feasible, in response to the loss of funding resources referenced in Section I.H.

- B. Administer the Affordable Housing Program, including the competitive program and the set-aside programs, WISH and IDEA.
- C. Promote the use of the Bank’s community investment programs and products and expand member participation. Continue to provide information and technical assistance on the Bank’s products and programs in seminars, workshops, and meetings.

**IV. Quantitative Goals for 2013**

- A. **CIP, ACE, and HPA advances, letters of credit, and AHEAD grants:** Transact Community Investment Program (CIP), Advances for Community Enterprise (ACE), and Homeownership Preservation Advance (HPA) advances and letters of credit and award AHEAD grants.

2013 Goal	Meets	Exceeds	Far Exceeds
CIP, ACE, and HPA advances and letters of credit and AHEAD awards (# members)	30	33	36

*The 2013 goal for CIP, ACE, and HPA is higher than in 2012 given the 2012 year-to-date achievement. Without including AHEAD, the recommended 2013 goal would be 12, 14, and 16 members for meets, exceeds, and far exceeds, respectively. To align this goal with the corporate goal, the goal now includes the number of members receiving AHEAD awards.*

- B. **Actively participate in and/or convene conferences, meetings, and workshops:** Foster expansion of, and member and housing associates’ involvement in, affordable housing and economic development and promote understanding of the Bank’s mission and community investment programs by supporting and actively participating in or convening conferences, workshops, and meetings with members and public and private community and economic development organizations.

2013 Goal	
Actively participate in and/or convene conferences, meetings, and workshops	70

*The 2013 goal is lower than in 2012 because of the reallocation of departmental resources.*

- C. **Increase member involvement in community investment products and programs:** Promote member participation in Bank-sponsored AHP (competitive and set-aside) workshops and provide technical assistance to members on the use of the Bank's affordable housing, credit, and economic development programs.

2013 Goal	Meets	Exceeds	Far Exceeds
Member participation in AHP workshops and technical assistance	62	65	68

*This is a new goal in 2013. It is based on year-to-date and historical data, but assumes that there will be one AHP competitive round instead of two. The number of members for year-to-date 2012 and 2011 is 62 and 65, respectively; the number for 2010 is not relevant since there were no compliance workshops that year. If the Bank continues to have two AHP rounds, the recommended goal would be changed to 65, 68, and 71 for meets, exceeds, and far exceeds, respectively.*

- D. **CFI collateral:** Increase the amount of small business, small farm, and small agribusiness loans pledged by community financial institution (CFI) members that receive borrowing capacity on their CFI collateral, as measured by the total unpaid principal balance of each loan type pledged as of yearend 2013.

2013 Goal	
CFI collateral ( <i>Unpaid principal balance in millions</i> ):	
Small business loans	\$4,454
Small farm loans	\$322
Small agribusiness loans	\$209

*The target amounts are higher than in 2012, but are not expected to increase significantly from the 2012 year-to-date figures. The unpaid principal balance (UPB) of CFI collateral grew 9% year-to-date; however, this trend is not expected to continue because of recent merger activity, economic uncertainty, and other factors that may affect member balance sheets. In addition, the Bank does not expect any additional CFI collateral from new CFI members. The goal assumes a 10% increase in members that begin to pledge CFI collateral in 2013 as a result of changing their pledging method from specific identification to blanket lien, which allows them to receive borrowing capacity on their CFI collateral.*

<b>2013 Goals Summary</b>	<b>Meets</b>	<b>Exceeds</b>	<b>Far Exceeds</b>
CIP, ACE, and HPA advances and letters of credit and AHEAD awards (# members)	30	33	36
Actively participate in and/or convene conferences, meetings, and workshops	70		
Member participation in AHP workshops and technical assistance	62	65	68
CFI collateral ( <i>Unpaid principal balance in millions</i> ):			
Small business loans	\$4,454		
Small farm loans	\$322		
Small agribusiness loans	\$209		

<b>2012 Goals Summary</b>	<b>Meets</b>	<b>Exceeds</b>	<b>Far Exceeds</b>	<b>As of 10/31/12</b>
CIP, ACE, and HPA advances and letters of credit (# members)	7	10	13	11
Bank-sponsored AHP workshops	43			44
Actively participate in and/or convene conferences, meetings, and workshops	80			88
Technical assistance	150	175	200	169
CFI collateral ( <i>Unpaid principal balance in millions</i> ):				
Small business loans	\$4,144			\$4,426
Small farm loans	\$263			\$312
Small agribusiness loans	\$136			\$202