

2017 COMMUNITY LENDING PLAN

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 2017 community housing 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 a community housing and economic development needs assessment for the Ninth District, commissioned by the Bank in 2014, include:

Housing

- Affordable Rental Housing – New Construction - Need for all types of affordable rental housing, from single family rental homes and duplexes in more rural and suburban areas, to large, mixed-income multifamily properties in urban areas;
- Affordable Rental Housing – Rehabilitation and Preservation - Need to preserve the existing stock of affordable rental homes in each state. In some cases, the quality of this housing is substandard, so there is a need for funds to rehabilitate and preserve the properties;
- Home Repair, Maintenance and Special Needs Retrofits - Need for funds to rehabilitate and maintain the homes of low income homeowners and to retrofit homes for the aging population so that elderly people on fixed incomes can age in place;
- Special Needs Housing - Need for rental housing with services tailored to seniors, as well as funds to assist senior homeowners in repairing their homes and making them more accessible. Besides seniors, need for more permanent supportive housing and transitional housing for the most vulnerable residents, such as those with disabilities, the formerly homeless, and others transitioning out of institutionalized settings;
- Housing in Rural and Underserved Areas - Need for smaller, scattered site rental and ownership properties in rural areas. There is an especially critical need for funding to improve the infrastructure and housing quality of homes on Native American reservations, in the Delta region, and in the colonias of New Mexico and Texas; and
- Transportation – Need for access to reliable bus or transit services to obtain and maintain jobs. Need to incentivize the creation of affordable housing as a component of transit oriented developments could address this issue in urban areas.

Economic Development

- Training and Education – Need for training low income workers for jobs in growing sectors with higher paying jobs, and re-training workers who lost manufacturing jobs for jobs in other fields;
- Attracting New Industries and Employers – Need a plan to attract industry types such as oil/natural gas extraction, technology and health care and then to create apprenticeship or internship programs that incentivize these employers to train low income workers; and
- Housing Counseling and Financial Literacy Education – Need as many residents continue to aspire to own their homes, but have poor credit scores or low rates of savings that make it difficult to qualify for a mortgage. Acquiring a mortgage and making payments on time can improve credit scores and lead to increased access to financial services such as small business 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 2016, FHLB Dallas conducted 6 training workshops. These workshops were held in the following locations:
 - a. Irving, TX
 - b. Houston, TX
 - c. New Orleans, LA
 - d. Little Rock, AR
 - e. Albuquerque, NM
 - f. Ridgeland (Jackson), MS

The Bank expects to conduct workshops in the same or nearby cities during the first quarter of 2017.

2. **Banking Conferences:** Also during 2016, the Bank staff participated in and attended regional banking conferences. Below is a partial list of conferences attended:
 - a. Arkansas Bankers Association Annual Convention
 - b. Louisiana Bankers Association Annual Convention
 - c. New Mexico Bankers Association Annual Convention
 - d. Mississippi Bankers Association Annual Convention
 - e. Texas Banker Association Annual Convention
 - f. Independent Bankers Association of Texas Annual Convention
 - g. Louisiana Bankers Association Executive Management Conference
 - h. Independent Community Bankers Association of New Mexico Annual Convention
 - i. Arkansas Bankers Association Bank Management Conference
 - j. Interagency Bankers Roundtables in Alexandria, LA; Dallas, TX & Lubbock, TX
3. **Housing Conferences:** Also during 2016, the Bank staff participated in and attended housing conferences to not only provide information about the Bank's community investment programs, but also to stay informed of housing issues. Below is a partial list of conferences attended:

- a. National Low Income Housing Coalition Legislative Conference
- b. Louisiana Housing Alliance Conference
- c. Texas Association of Community Development Corp. (TACDC) Annual Conference
- d. Texas Rural Challenge Conference
- e. Texas Habitat for Humanity Housing Summit
- f. Texas (TAAHP) Housing Conference
- g. Mississippi Affordable Housing Conference
- h. Mississippi Association of Affordable Housing Providers (MAAHP) Annual Housing Summit
- i. Louisiana Association of Affordable Housing Providers (LAAHP) Annual Conference
- j. Southwest Border Colonias: Housing & Sustainable Development in the 21st Century
- k. New Mexico Housing Summit
- l. National Association for Latino Community Asset Builders

The Bank expects to participate in the same or similar banking and housing conferences during 2017. New Mexico holds its' statewide housing conference every two years. The next one will be held in 2018.

4. **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. The Bank has also introduced the use of webinars to both market our products as well as provide technical assistance.

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^{Plus} (EDP^{Plus})
 - 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
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. This limitation is only on those advances used in conjunction with an EDP^{Plus} grant.

VII. New Initiative

In September 2016, the Bank implemented a two special disaster relief programs in response to the devastation caused by the August 2016 flooding in Louisiana. The programs will assist in the recovery effort and community investment needs of affected communities in Louisiana. The programs have two separate components. The first program is a special disaster grant program designed to provide recovery assistance to members' employees whose homes have been damaged or destroyed. Any grant funds that were not utilized by October 31, 2016 were made available to assist qualified households in the general public in affected communities. The second program is a special disaster relief advance program to provide funding to individuals or organizations whose homes or businesses were damaged or destroyed.

VIII. Ongoing Initiatives

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

1. Homebuyer Equity Leverage Partnership Program Overview: 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 \$7,000 per homebuyer).
 - b. Homebuyers are required to complete a homebuyer education course.
 - c. \$1,000,000 in HELP funds were available in 2016, bringing the total funds committed to this program since inception to \$20.1 million.
2. EDP^{Plus} Overview: 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^{Plus} funds were made available in 2016, bringing the total funds committed to EDP^{Plus} since program inception to \$15 million.
 - e. Members may apply for a maximum of \$80,000 in EDP^{Plus} grants each year, with up to \$20,000 in funding available for any one small business.
 - f. The small business owner must contribute at least 10 percent equity of the EDP advance.
 - g. EDP^{Plus} grant funds may constitute no more than 10 percent of the EDP advance or \$20,000, whichever is less.
3. Partnership Grant Overview: Developed to enhance capacity building for community based organizations involved in affordable housing programs and small business technical assistance providers within the district.
 - a. Funds are allocated to members through a lottery system.
 - b. \$225,000 in Partnership Grant funds were made available in 2016.
 - c. Member institution cash contribution of \$500-\$4,000 will be matched at a 3:1 ratio up to a maximum lifetime grant of \$36,000. No in-kind contributions or donations will be matched.
 - d. Eligible community based organizations must have an annual revenue of \$550,000 or less.
4. Disaster Relief Advances Program Overview: Developed to finance any project which assists in the recovery efforts in federally 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 by natural disasters.

- a. Funds are available for a period designated by the Bank following a federal disaster.
 - b. Funds can be used for residential and commercial properties, community facilities, equipment, inventory and personal property.
 - c. Advances terms range from 3 months to 30 years.
 - d. Disaster Relief advances are priced below the Bank's regular Economic and Community Development Program rates which are already priced at the Bank's cost of funds.
 - e. Income eligibility limits for Advances are expanded to 165% of the area median income.
 - f. Member institutions and their customers that are located in or have branch offices in the federally designated disaster area(s) may borrow under this program.
5. Special Needs Assistance Program Overview: Developed to assist special needs households to rehabilitate a single-family home which is used as the household's primary residence.
- 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 \$6,000 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. \$1 million in SNAP funds were made available in 2016 bringing the total funds committed to SNAP since its inception to \$11.75 million.
6. Housing Assistance for Veterans Program Overview: Developed 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 an Afghanistan Campaign, Iraq Campaign, Global War on Terrorism Expeditionary, Global War on Terrorism Service, 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 necessary home modifications 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 an initial commitment of \$250,000 from Bank earnings. As the initial commitment was nearly exhausted at the end of 2015, the Bank made \$75,000 available in 2016.
- a. Grant recipients must have received a an Afghanistan Campaign, Iraq Campaign, Global War on Terrorism Expeditionary, Global War on Terrorism Service, 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 120% 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. If a home is being newly constructed and adapted to meet the needs of the veteran or service member, HAVEN funds may be used to offset construction costs.
 - e. Households may not receive any cash back from the modification.

IX. 2016 Goals

Programs/Actions

Total CIP/EDP Advances Users

2016 Goals

85

X. 2017 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 including how they can be used to support historically underserved communities as well as communities of opportunity.
2. Continue to build and expand business relationships with the state housing finance agencies in the district.
3. 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.
4. Collaborate with the Bank's Corporate Communications, Member Services 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 relationships with members, public officials, state housing finance agencies and community leaders.
5. Support members' efforts to rebuild communities damaged by natural disasters and house displaced individuals and families as the need arises.
6. Collaborate with regulatory agencies to conduct workshops/events for our members to educate on how the Bank can help our members meet their Community Reinvestment Act goals.
7. Explore the expansion of the Bank's voluntary programs such as a community impact partnership fund and a member recognition program.
8. The 2017 goals will be incorporated into the Community Lending Plan after they are approved by the Board of Directors.