Federal Home Loan Bank
NEW YORK

Community Lending Plan
2017

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Executive Summary

The Federal Home Loan Bank of New York ("FHLBNY" or "Bank") herein presents its 2017 Community Lending Plan ("Plan"). For this Plan, "Community Lending'' is defined as providing financing for economic development projects for targeted beneficiaries. The Community Investment Cash Advance ("CICA") regulation, published by the Federal Housing Finance Agency ("Finance Agency"), states that each Federal Home Loan Bank shall offer an Affordable Housing Program and Community Lending Programs to provide financing for eligible housing and community lending activities. The CICA regulation also requires that each Federal Home Loan Bank develop and adopt a Community Lending Plan on an annual basis. The Bank's CICA programs include the Community Lending Programs ("CLP") (Community Investment Program ("CIP"), Urban Development Advance ("UDA"), and Rural Development Advance ("RDA")); the Bank's Affordable Housing Programs (Competitive AHP and First Home Club ("FHC")), and Letters of Credit supporting lending activities that qualify for the Community Lending and Affordable Housing programs.

To this end, the Bank has developed this Plan, which summarizes the Bank's recognition of the District's community lending needs and describes the Bank's initiatives and goals for 2017. Also presented is an overview of the Bank's community lending related initiatives and accomplishments in 2016.

Special Areas of Focus for 2017

In addition to the quantitative goals established for 2017, there are four specific areas that will be special areas of focus for the Bank. The following summarizes the key areas of focus and the CLP quantitative goals, with additional detail outlined on pages 10 and 11:

1. Expand the use of the Rural Development Advance Program through targeted outreach to members who service rural areas within the District. Introduce both the Urban Development Advance and Rural Development Advance programs to non-active members.

2. Conduct targeted outreach to the Federally- and State-recognized Native American Tribes in New York and New Jersey, to better understand their economic development and affordable housing needs and introduce them to the Bank's Community Lending and Affordable Housing programs.

3. Expand the number of members participating in the Affordable Housing and the First Home Club Programs, with a special outreach emphasis in areas of our district that have had little or no activity in these programs.

4. Increase the awareness and utilization of the Bank's Letters of Credit products ("LOC"), in particular, the ability to use the Bank's LOC to support multi-family affordable housing and economic development projects.

The 2017 Community Lending Program Quantitative Goals are as follows:

» Approve $1.0 billion in new community/economic program UDA applications
» Fund $750 million in UDA Advances
» Approve $75 million in new community/economic program RDA applications
» Fund $25 million in RDA Advances
» Approve $1.0 billion in new CIP applications
» Fund $900 million in CIP Advance

Community Lending Needs in the District

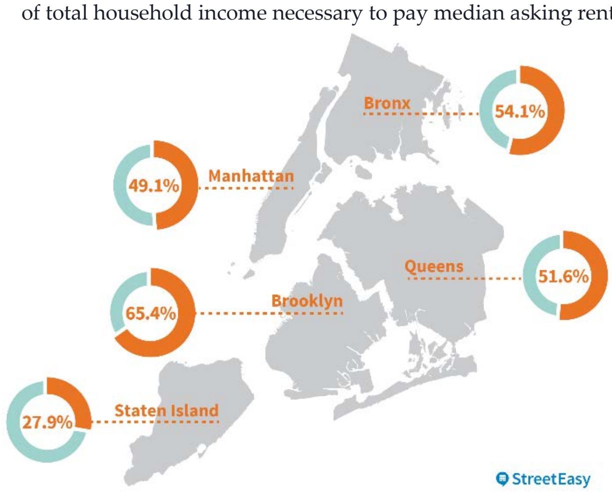
The Bank consults with our member institutions, our Affordable Housing Advisory Council and various other organizations regarding the challenges, needs, and opportunities facing our District. The Bank also sponsors and participates in meetings, workshops, and conferences throughout the District to gain insight regarding the community lending needs in the communities that our member institutions serve. These activities are supplemented with market research about relevant socio-economic and geographic trends within the District. The recent research regarding various regional trends is presented in Exhibit A - District II Market Profile. Although housing market trends and economic conditions are discussed, the objective of this Plan is not to provide a comprehensive analysis of the economy or the housing market, but rather to assist the Bank in identifying relevant community lending needs within our District.

Overview of District Challenges and Needs

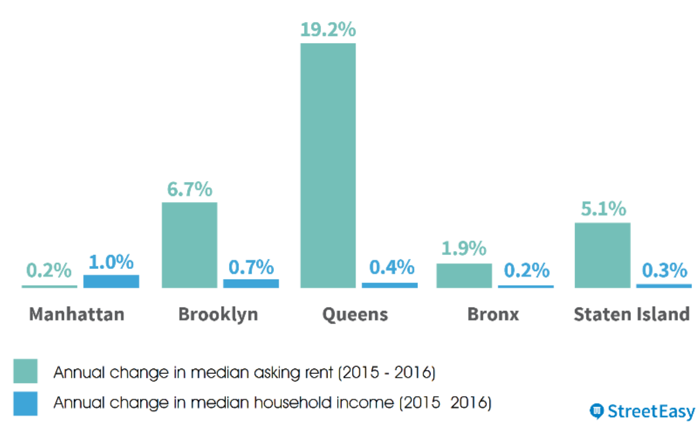
RENT AFFORDABILITY remains a challenge across the District – The FHLBNY's District includes two of the top ten, least affordable states in the country according to the National Low Income Housing Coalition ("NLIHC") study, "*Out of Reach 2016*". By measure of housing wages required to afford a two-bedroom apartment at Fair Market Rent, New York ranks fourth and New Jersey ranks sixth among all states (including the District of Columbia). Based on the data sourced for the US Virgin Islands, if they were included as a "state", they would rank just as high as NY and NJ in terms of being least affordable.

The "*Out of Reach 2016*" study reported that the estimated average renter hourly wage in New York is $22.85, with the rent affordable at that wage being $1,188. However, the Fair Market Rent for a two-bedroom unit in New York is $1,388, requiring an hourly wage of $26.69 to maintain affordability. [1] An April 2016 article on StreetEasy.com stated that the most fundamental factor weighing on the city's rent burden is that income growth continues to lag far behind the growth in rent. With the exception of Manhattan, the median household income for households across NYC is expected to grow by 0.8 percent to $56,244 in 2016. However, the median asking rent is expected to grow by 10.1 percent to $3,054.[2]

Typical Rent Burdens Across NYC
The median rent-to-income ratio by borough in 2016, or the share of total household income necessary to pay median asking rent.



Rent Growth Far Outpaces Income Growth
Income growth lags well behind rent growth in all boroughs except Manhattan, leading to greater typical rent burdens than last year.



[1] National Low Income Housing Coalition "Out of Reach 2016" study, www.NLIHC.ORG/OOR
[2] http://streeteasy.com/blog/new-york-city-rent-affordability-2016/

In New Jersey, the estimated average renter wage is $16.98 and the rent affordable at that wage is $883. However, the Fair Market Rent for a two-bedroom unit in New Jersey is $1,379, requiring an hourly wage of $26.52 to maintain affordability. Data provided by the NLIHC's study for Puerto Rico revealed that the estimated average renter wage is $6.91 and the rent affordable at that wage is $359. However, the Fair Market Rent for a two-bedroom unit in Puerto Rico is $498, requiring an hourly wage of $9.58 to maintain affordability. [3]

The NLIHC study did not cover the US Virgin Islands, however, similar data collected from other sources indicate that the estimated average renter wage in the US Virgin Islands was $16.85 (in 2015) and the rent affordable at that wage is $876. However, the estimated average rent for a two-bedroom unit in the US Virgin Islands is over $1,400, requiring an hourly wage of at least $26.92 to maintain affordability.[4]

Least Affordable States – 2016		
Rank	**State**	**Housing Wage for a Two-Bedroom at Fair Market Rent**
1	Hawaii	$ 34.22
2	District of Columbia	$ 31.21
3	California	$ 28.59
4	**New York**	**$ 26.69**
5	Maryland	$ 26.53
6	**New Jersey**	**$ 26.52**
7	Massachusetts	$ 25.91
8	Connecticut	$ 24.72
9	Alaska	$ 23.25
10	Washington	$ 23.13

HOME AFFORDABILITY is also a daunting challenge in large parts of our District – According to the National Association of Realtors, the median existing single-family home values are on the rise in much of the United States, increasing 5.2 percent in the third quarter of 2016 compared with the third quarter of 2015, to $240,900.

New York Home Values			
Metropolitan Area	**Q3 2015 ($000s)**	**Q3 2016 ($000s)**	**% change**
Albany-Schenectady-Troy	218.3	212.1	-2.8
Binghamton	121.1	111.9	-7.6
Buffalo-Niagara Falls	136.8	138.9	1.5
Dutchess County-Putnam County	271.8	278.9	2.6
Elmira	108.8	109.4	0.6
Glens Falls	177.2	172.3	-2.8
Kingston	212.1	205.2	-3.3
Nassau-Suffolk	423.3	437	3.2
NY-Jersey City-White Plains, NY, NJ (incl. northern NJ, LI & PA	397.7	383.3	-3.6
Rochester	139.4	139.3	-0.1
Syracuse	134.2	137	2.1
Wayne-White Plains, NY, NJ	395.8	397.6	0.5

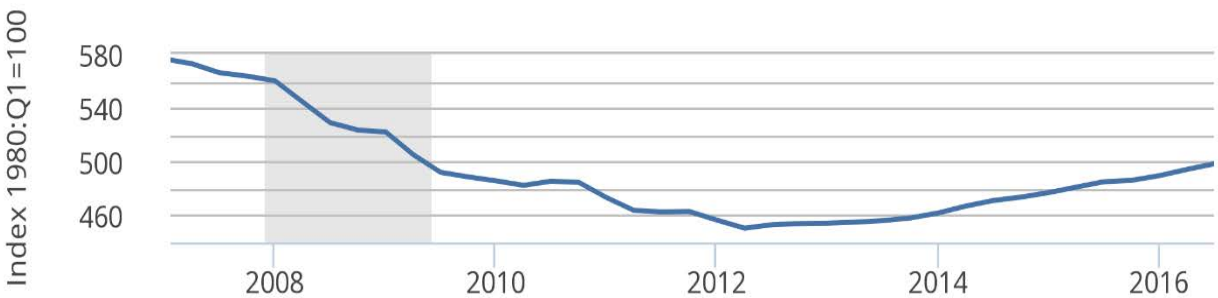
New Jersey Home Values			
Metropolitan Area	**Q3 2015 ($000s)**	**Q3 2016 ($000s)**	**% change**
Allentown-Bethlehem-Easton, PA, NJ	189.8	194.4	2.4
Atlantic City	205.9	195.2	-5.2
Newark-Union, NJ, PA	405	401.8	-0.8
New York-Newark-Jersey City, NY, NJ, PA	395.8	397.6	0.5
Philadelphia-Camden-Wilmington, PA, NJ, DE, MD	234.7	234.8	0.0
Trenton-Ewing	290.1	276.9	-4.6

[3] National Low Income Housing Coalition "Out of Reach 2016" study, www.NLIHC.ORG/OOR
[4] US VI data sources: www.numbeo.com's"Cost of Living in USVI" report and *The Settlers Handbook to the US Virgin Islands, 20th edition.*

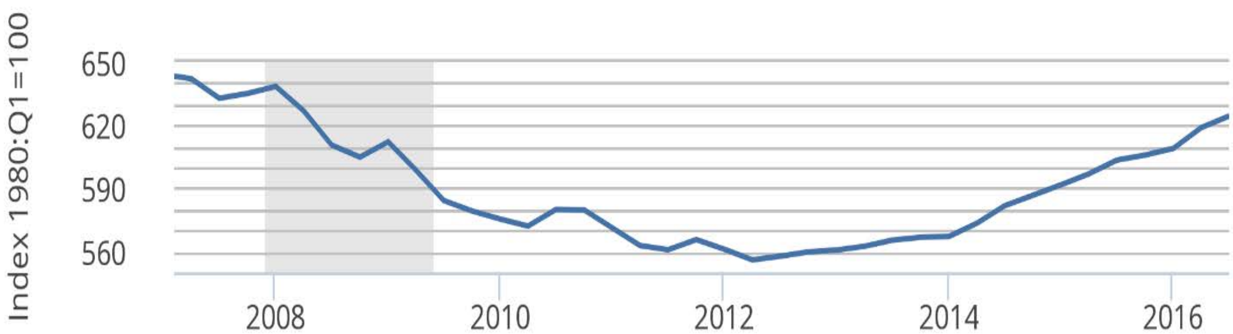
In most areas of New Jersey, home values trend close to the Northeast median price, while in New York there is a significant difference between Downstate and Upstate NY, with Upstate NY being far more affordable. As mortgage rates rise, this will likely further impact hopeful, first-time homebuyers and their ability to enter the housing market.

Puerto Rico presents a different picture with home prices having dropped over 21 % since the peak in 2007. According to TradingEconomics.com, it is estimated that the Home Price Index in Puerto Rico will drop to 152.30 in 12 months' time and, in the longer term, it is projected to trend around 144.20 by 2020.

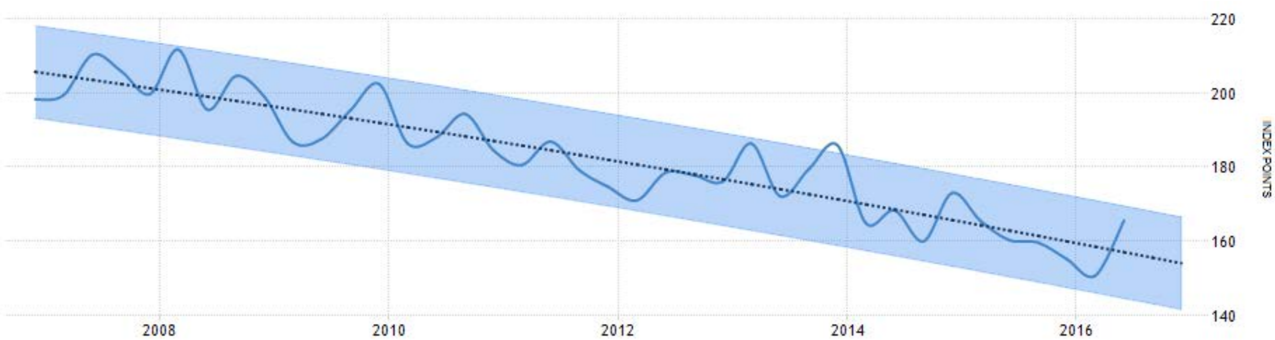
New Jersey – Housing Price Index[5]



New York – Housing Price Index[6]



Puerto Rico – Housing Price Index[7]



[5] https://fred.stlouisfed.org/series/NJSTHPI

[6] https://fred.stlouisfed.org/series/NYSTHPI#0

[7] http://www.tradingeconomics.com/puerto-rico/housing-index/forecast

HOMEOWNERSHIP rates continue their downward trend – The national homeownership rate has dropped 5.5 percentage points from its 2004 peak of 69% to 63.5 % in 2016. The most significant drop is among households aged 35 – 44, dropping almost 11 percentage points from 69.2% in 2004 to 58.4% in 2016. In the Northeast, the homeownership rate is 60.8 as of the Third Quarter 2016. Across age groups, the Third Quarter 2016 and First Quarter 2010 homeownership rates are as follows:[8]

Age Bracket	Under 35 years	35 to 44 years	45 to 54 years	55 – 64 years	65 years +
3Q 2016 Rate	35.2	58.4	69.1	74.9	79.0
1Q 2010 Rate	38.9	65.3	74.8	79.1	80.6

HOMELESSNESS remains a significant issue within our District – The "***Opening Doors: Federal Strategic Plan to Prevent and End Homelessness***" was released by the Administration in 2010, and amended in 2015. *"Opening Doors"* is a comprehensive agenda to prevent and end homelessness, with four core goals as its focal point. The U.S. Department of Housing and Urban Development ("HUD") and other federal agencies have collaborated with state and local partners to work towards meeting the following critical goals:[9]

1. **Finish the job of ending chronic homelessness by 2017** – The number of individuals experiencing chronic homelessness declined by 27%, or almost 28,600 people, between 2010 and 2016.

2. **Prevent and end homelessness among veterans by 2015** – Veteran homelessness dropped by 47 percent, or nearly 35,000 people, between 2010 and 2016. Between 2015 and 2016 alone, the number of homeless veterans dropped by more than 8,000 people (or 17%).

3. **Prevent and end homelessness for families, youth, and children by 2020** – In January 2016, about 195,000 people in families with children experienced homelessness in fewer than 62,000 households. This represents a decline of more than 47,000 people (or 20%) and 18,000 family households (or 23%) since 2010.

4. **Set a path to ending all types of homelessness** – Since the release of ***"Opening Doors"***, homelessness has declined by 14 % (or 87,000 people), and unsheltered homelessness has declined by 25 % (or 57,000 people).

HUD released Part 1 of its ***Annual Homeless Assessment Report*** to Congress ("AHAR"), in November of 2016. On a national level, since 2010 the homeless population declined by 13.7%, with Sheltered Homeless declining by 7.4% and Unsheltered Homeless declining by 24.5%. Between 2015 and 2016, homelessness declined by 3%. However, within the FHLBNY district, the decline in homelessness was less pronounced.

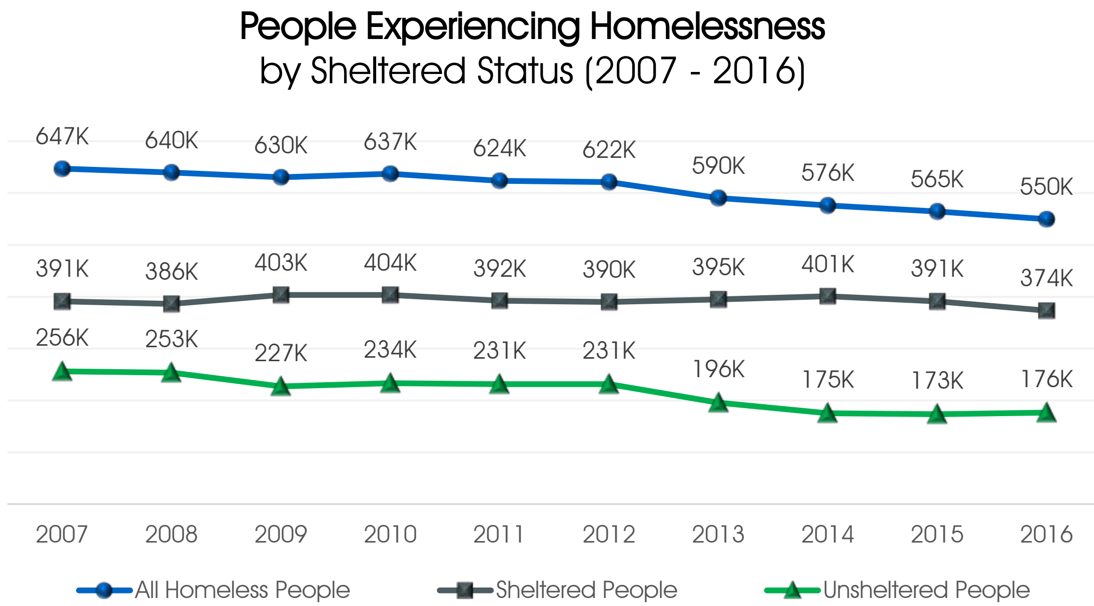
Over the past 10 years, New York's homeless population peaked at 88,250 in 2015 – up 41% from 2007. However, NY has consistently sheltered 94% – 95% of its homeless population. Between 2015 and 2016, NY experienced its first homeless decline (-2.2%) since 2010, but the total number remains high at 86,352. The majority of the homeless in NY are Black or African American (65%) and 22% are White. Hispanic / Latino ethnicity accounts for 45% of the homeless population and children under the age of 18 account for 35% of the homeless population.

New Jersey's homeless population peaked in 2007 at 17,314, dropping to 8,895 in 2016, a 48.7% decrease. NJ has been able to shelter 85% - 90% of its homeless each year since 2007. The majority of the homeless in NJ are Black or African American (53%) and 43% are white. Hispanic / Latino ethnicity accounts for 20% of the homeless population and children under the age of 18 account for 23% of the homeless population.

[8] US Census Bureau, Quarterly Residential Vacancies and Homeownership, Third Quarter 2016 report (CB16-172)

[9] Department of Housing and Urban Renewal's 2016 Annual Homeless Assessment Report to Congress: Part 1

Puerto Rico has not had a significant problem with homelessness although the homeless population has risen steadily from its low of 2,900 in 2011 to its peak of 4,518 in 2015 (slightly above the 4,309 level in 2007). As for the US Virgin Islands, homelessness does not appear to be a significant problem averaging 474 individuals in the past 10 years, peaking at 602 in 2008 and dropping down to 341 in 2016. Both Puerto Rico and the USVI have a low rate of sheltering their homeless – 30% on average for Puerto Rico and 20% for USVI. The warm weather climate may likely be a factor in this trend. [10]



NATIVE AMERICAN COMMUNITIES: Affordable housing and other social issues on Tribal Lands – There are eight Federally-recognized Native American Tribes in New York State and three State-recognized tribes (two of which are also Federally-recognized.) There are five other Indian Tribes that have a presence in New York State, two of which appear to be extensions of a Tribe that is Federally-recognized (Seneca Nation). The State of New Jersey does not have any Federally-recognized Tribes, however there are three State-recognized Tribes and four other Tribes that have a presence in New Jersey. Puerto Rico has two Indian Tribes, one of which is Commonwealth-recognized and the other is not.

Indian Tribes face several common issues including: homelessness and inadequate supportive housing to address their needs; a lack of proper housing to meet the needs of their aging population; a lower rate of home-ownership; high unemployment rate; higher incidence of substance abuse; and a lower rate attaining a higher education. In the areas of housing, government funding is available through HUD's Indian Housing Block Grant Program ("IHBG"), established with the passage of the *Native American Assistance and Self-Determination Act of 1996*. Early in 2016, HUD announced over $6 million in aid for affordable housing that was awarded across eight Indian Tribes in New York. The allocation of IHBG funds is done on an annual basis and it remains the single, largest source of affordable housing assistance for Native American Communities. Other government funding sources available to address affordable housing and economic development needs of Indian Tribes are HUD's Section 184 and Title VI Home Loan Guarantee Program, HUD's Indian Community Development Block Grant Program ("ICDBG"), and the New York State CDBG and Low Income Housing Tax Credit Programs – both administered by New York State Homes and Community Renewal ("NYHCR").

[10] Department of Housing and Urban Renewal's 2016 Annual Homeless Assessment Report to Congress: Part 1

Since the inception of the AHP Programs and the Rural Development and Urban Development Community Lending Programs, none of the available funds from these programs have been used to support affordable housing or economic development needs of the District's Native American communities. There is an obvious role and need for the FHLBNY's Affordable Housing Programs (Competitive AHP and First Home Club), as well as the Community Lending Programs that support economic development (CIP, RDA and UDA). The chart below lists the Federally-recognized, State-recognized and other Native American Tribes and Tribal Lands within our district:

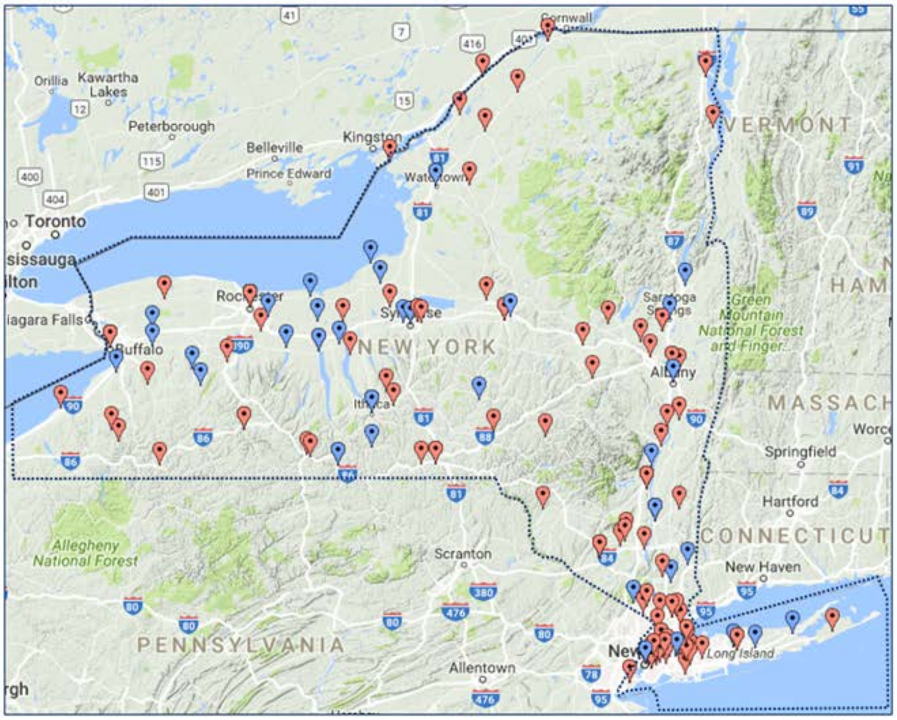
Native American Communities		
New York		
Federally Recognized	**State Recognized**	**Other Tribes with Presence in NY**
St. Regis Mohawk Tribe, Akwesasne, NY Seneca Nation of Indians (Salamanca), Salamanca, NY Tonawanda Band of Seneca, Basom, NY Onondaga Nation, Nedrow, NY Oneida Nation of New York, Veron, NY Cayuga Nation, Seneca Falls, NY Tuscarora Nation, Lewiston, NY Shinnecock Indian Nation, Southampton, NY	Poospatuck Reservation, Mastic, NY	Mohawk Reservation, Fonda, NY Seneca Nation of Indians (Oil Springs), Irving, NY Seneca Nation of Indians (Cattaraugus), Irving, NY Western Mohegan Tribe and Nation, Greenfield Park, NY Native American Validation Alliance, Wheatley Heights, NY
New Jersey		
Federally Recognized	**State Recognized**	**Other Tribes with Presence in NJ**
None	Ramapough Lenape Nation, Mahway, NJ Powhatan Renape Nation, Rancocas, NJ Nanticoke Lenni-Lenape Indians of New Jersey, Bridgeton, NJ	The Jatibonicu Taino Tribal Band of New Jersey, Vineland, NJ Cherokee Nation of New Jersey, Newark, NJ Sand Hill Band of Indians, Montague, NJ
Puerto Rico		
Federally Recognized	**Commonwealth Recognized**	**Other Tribes with Presence in PR**
None	Consejo General de Tainos Borincanos, Trujillo Alto, PR	Jatibonicu Taino Tribal Nation of Borikén, San Juan, PR

UNDERSERVED AREAS within the District – As the performance statistics of our Community Investment Programs clearly indicate, there is an active demand for funding through these programs to address: the home financing of low and moderate households; the financing of multi-family buildings that support the affordable housing needs; and capital funding needs to support economic development and small business initiatives. However, as we look across the District, it is evident that not all parts of the district benefit from the availability of these funds.

Ensuring that these programs are well understood by all of our Members and increasing the number of Members who are willing to participate in these programs are important objectives. Our Members serve as the conduit to the all of the FHLBNY Community Investment Programs, for the communities that they serve. Increasing the Member participation rate in these programs will benefit more communities and reach further across those that historically have been underserved.

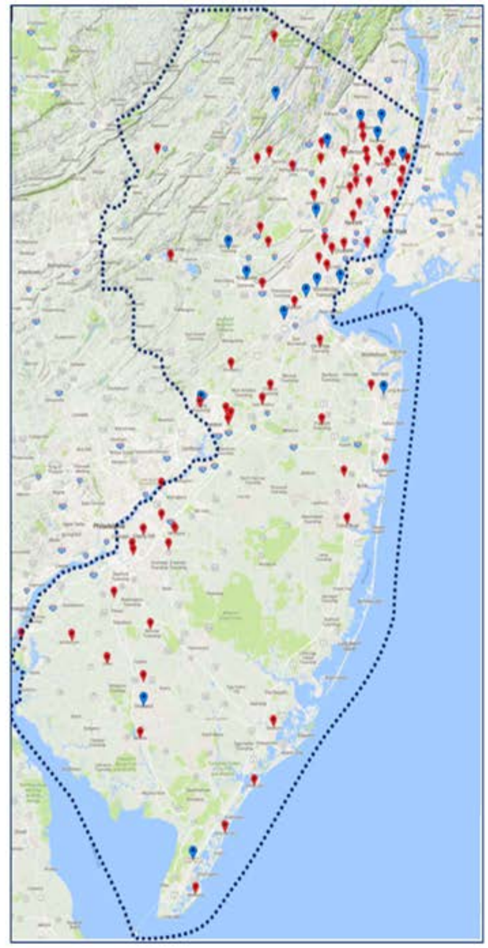
The following maps of NY and NJ indicate where active participating members in the First Home Club Program are located. Both maps clearly identify geographical areas within each State where there is little or no participating member coverage, and therefore where the Bank's first-time homebuyer grant program is not available.

NEW YORK **NEW JERSEY**



FHLBNY Members Participating in FHC

FHLBNY Members Not Participating in FHC



Based on these maps, it is evident that in NY State, FHC grants are not reaching the Adirondack / North Country region and in New Jersey there are limited or no FHC grants reaching the Northwestern, Central and Southern regions. Similar program availability assessments are being done for the Competitive AHP Programs and Community Lending Programs. However, it is expected that the geographical voids for CLP and AHP coverage in the District will likely be similar to the areas where FHC funds are not being offered. In the case of Puerto Rico and the US Virgin Islands, the small number of members present, and the additional economic challenges, have made it more difficult to gain any active and meaningful utilization of the Community Investment Programs in this part of the District.

Community Investment & Lending Related Objectives and Goals for 2017

For 2017, the Bank plans to continue to focus on supporting our members in meeting the credit needs of their lending communities, through the following activities:

- Providing discounted credit to finance community lending and economic development activities within the communities served by our member banks.
- Identifying new opportunities for the Bank to encourage and support member's small business lending initiatives that foster the creation of new jobs, as well as supporting job retention.
- Making technical assistance available to member banks and community organizations in a variety of means, to foster a better understanding of the Bank's Community Lending and Affordable Housing Programs and how they can support the financing needs of their respective lending and service communities.
- Identifying underserved sectors within the district that would benefit from a greater availability of the Bank's Community Lending and Affordable Housing Programs.

2017 Initiatives:

In an effort to both meet the identified community lending needs in our District and further the results achieved in 2016 the Bank will undertake the following community lending initiatives in 2017:

A. Explore new approaches and partnerships to address key affordable housing and economic development needs within the District (e.g.; home ownership, rent and home affordability challenges, homelessness, Native American housing needs, underserved areas, etc.)
   - Leverage the diverse industry expertise present on the Bank's Affordable Housing Advisory Council.

B. Encourage continued use of the Bank's CICA products and programs (CIP, RDA, UDA, AHP, FHC, & LOCs)
   - Continue to build relationships with community and economic development organizations,
   - Identify and focus outreach efforts to raise program awareness of non-participating members within target areas of the district where AHP, FHC and or CLP program participation is lacking, and
   - Consider special offerings and incentives to increase RDA program participation.

C. Provide technical assistance to members and community groups
   - Participate in and support conferences and workshops sponsored by community organizations, and
   - Conduct meetings with member banks and community organizations to increase awareness of the Bank's community lending programs and gain feedback in return.

D. Implement broader informational and promotional activities highlighting CICA program success stories
   - Organize and conduct special celebratory events; Expand postings on the Bank's website showcasing CICA program utilization; and Publicize success stories through industry publications and press releases.

2017 Quantitative Community Investment and Lending Goals:

From year to year the balances across the three community lending programs, CIP (Community Investment Program), UDA (Urban Development Advance) and RDA (Rural Development Advance) shift depending on the lending activity of members. As of November 15, 2016, the Bank approved $1 billion in CIP applications versus $1.41 billion approved in 2015. In 2016, Members borrowed $811.5 million in CIP advances, compared to $1.2 billion in 2015. The CIP advances are focused on supporting single and multi-family residential lending activity, while the UDA and RDA advance programs support community/economic development lending activity. There was no CIP goal established for 2016.

In 2016, the Bank approved $1.08 billion in Urban Development Advance applications, $380 million more than the $700 million target goal established for 2016 and over $235 million more than the $766.7 million in applications approved in 2015. Urban Development Advances totaled $724.1 million in 2016, compared to $746.8 million in 2015. The Rural Development Advance program was not utilized in 2016 and only $19.9 million in Rural Development Advances were made in 2015. The 2016 goal for RDA applications and advances were $50 million and $25 million respectively.

The Bank proposes the following community lending and outreach goals for 2017:

Community Lending Programs

» Approve $1.0 billion in new community/economic program UDA applications
» Fund $750 million in UDA Advances
» Approve $75 million in new community/economic program RDA applications
» Fund $25 million in RDA Advances
» Approve $1.0 billion in new CIP applications
» Fund $900 million in CIP Advances

First Home Club and Competitive AHP Programs

Increase member participation in the FHC program by adding 7 – 10 new FHC members, with a special focus on adding members in areas of the District that are currently underserved. We will also seek to expand the number of members participating in the Community Lending Programs and the Competitive AHP, especially in underserved areas, most of which are expected to be close to the same as the underserved area for FHC.

Targeted Outreach Activities

Conduct a minimum of 40 targeted outreach activities with special focus on: 1) engaging Tribal Housing Authorities in a dialogue to better understand their housing challenges and needs; 2) meeting with non-active members whose lending community reaches into underserved area of the District; 3) promote the benefits of utilizing the Bank's letter of credit products to support affordable housing and economic development projects; and 4) provide technical assistance on the competitive AHP application process.

Community and Economic Development Lending and Outreach Activities in 2016

The Urban Development Advance ("UDA") and the Rural Development Advance ("RDA") programs serve as funding sources specifically for community lending and economic development activities. The UDA provides financing for economic development projects or programs in urban areas (area population of greater than 25,000), benefitting individuals or families in areas where the tract area median income ("AMI") is at or below 100% of the overall area median income level. The RDA provides financing for economic development projects or programs in rural areas (area population of 25,000 or less), benefitting individuals or families in areas where the tract AMI is at or below 115% of the overall area median income level. These programs offer low-cost advance rates and are available on a daily basis. From January 1 to November 15, 2016, the Bank approved 31 applications for 26 members for a total of $1.08 billion in UDA funds and funded $811.54 million. During the same time period, the Bank did not approve any RDA applications.

Project Specific UDA:

The majority of UDA Program applications approved by the Bank are "Program Specific", in which a member will apply for a UDA "credit line" amount and then will periodically submit lists of qualified loans, made anywhere within their lending footprint, and draw down on their approved UDA application. However, the Bank occasionally receives a request for a "Project Specific" UDA. In such cases, the member utilizes the UDA to directly fund a specific eligible transaction.

In 2016, the Bank approved a "Project Specific" UDA application for Community Resource Federal Credit Union in Latham, New York. This member institution used a $2.5 million UDA loan to fund the construction of a new branch located in North Greenbush, New York. The project qualified under the UDA using the "Job Creation" criteria. To meet the criteria, at least 51% of the permanent full- and part-time jobs, computed on a full time basis, created by the project, must have annual salaries at or below 100% of the area median income ("AMI"). Once construction is completed, the Credit Union plans to hire four (4) full-time staff members to operate the branch. Each of the staff members' annual salaries will be below the AMI of Rensselaer County, New York.

Community Investment Program ("CIP"):

The Community Investment Program provides discounted rate advances for housing related activities for households whose incomes do not exceed 115% of the area median income. The Bank offers CIP funds as an incentive to its members for originating community investment financing. CIP funds may benefit member banks by providing discounted funds, enhancing CRA performance, enhancing profitability, and improving community and public relations. From January to November 15, 2016, the Bank approved $1 billion in CIP applications and $811.5 million in CIP advances.

Disaster Relief:

The Disaster Relief Funding Program is a UDA program that provides immediate financing in areas that have been officially designated as Federal or State disaster areas. Since there was no need for it, the Bank did not offer Disaster Relief Program funds in 2016.

Outreach and Technical Assistance Meetings:

Throughout the year, the Affordable Housing Bank personnel hold numerous technical assistance meetings with our member banks and community development organizations, as well as participate in various conferences and seminars throughout the District. In these forums, the Bank presents successful projects and discusses how the Bank's products can be useful tools in meeting the challenges of community development.

The Bank's outreach efforts in 2016 can be categorized as follows: aligning with other prominent funding sources; informing non-profit sponsors, developers and members on key process changes and enhancements to our Affordable Housing and Economic Development Programs; listening to challenges faced from our AHP and FHC users; providing group and individual training and/or technical assistance to AHP and FHC program users; and celebrating success!

The Bank participated in over 70 outreach activities in 2016. The following are examples of the type of outreach activities conducted:

» In April and May 2016, Bank's staff conducted several large group presentations of the Bank's Community Investment Programs including: the Affordable Housing Program; First Home Club Program; Community Lending Programs; and the Letter of Credit Program. The primary focus for these presentations was on the recent AHP scoring changes, in preparation for the 2016 AHP Application Round. The training sessions were held in Trenton, NJ on April 21 (joint training with the NJHMFA); Albany, NY on May 5; Rochester, NY on May 6; Syracuse, NY on May 10; and in New York City, NY on May 12. Event participation ranged from 50 to 100 attendees for each session.

» On May 19, 2016, Bank Staff met with the US Virgin Islands Housing Finance Agency and with members in the US Virgin Islands and Puerto Rico to discuss the Bank's Affordable Housing Program.

» On July 25, 2016, Bank staff participated on a panel at a joint training session on Interagency Banker CRA Training in Elizabeth, NJ, hosted by the Federal Deposit Insurance Corporation ("FDIC"), Federal Reserve Bank of New York ("FRBNY") and Office of the Comptroller of the Currency ("OCC"). The presentation highlighted the Bank's Community Lending and Affordable Housing programs and discussed how they can be used to support CRA Activity.

» On August 25, 2016, Bank staff spoke at the ground-breaking celebration for a new branch being built in North Greenbush, NY by Community Resource FCU. Construction of the branch was funded by a five-year, $2.5 million advance through the Bank's UDA program. The Member's project qualified for the discounted Urban Development Advance under the "Job Creation" criteria (new jobs created with salaries that are at or below 100% of area median income). The branch is scheduled to be completed by January 2017.

» On September 15, 2016, Bank staff participated on a panel with staff from Kinderhook Bank at the 2016 Affordable Housing & Community Development Conference in Oswego, NY, hosted by the NYS Rural Housing Coalition. The panel was the first in a series of sessions addressing Main Street business development, covering such topics as how the Community Lending Programs can be used to finance required matching funds for the NY Main Street Program. Another focus of this panel was a discussion on financing other business needs (i.e. inventory growth, fixtures, and other working capital to grow their businesses) for entrepreneurial ventures.

» On September 22, 2016, Bank staff conducted presentations on the FHLBNY Affordable Housing and Community Lending programs at the Puerto Rico Housing Conference in San Juan, PR. The intent of this conference was to reintroduce the Bank's Community Investment programs to the affordable housing community in Puerto Rico, emphasizing the need to establish partnerships with member banks, developers and other key participants in the affordable housing arena. In addition to presentations, two panels with Member bank representatives focused on the Member's success with the First Home Club program and the competitive Affordable Housing Program. The coordination of this conference was led by the Puerto Rico Bankers Association, with the active participation of the Puerto Rico Builders Association, PathStone Corporation of Puerto Rico, and the FHLBNY.

Other Community Investment Related Activities in 2016

Affordable Housing Program ("AHP")

Created by Congress in 1989, the AHP provides subsidies to assist financial institutions in supporting the creation and preservation of housing for very-low, low, and moderate-income families and individuals. In 2016, the Bank conducted one competitive AHP application round and received a total of 155 applications. There were 77 applications for projects located in New York; 43 for projects located in New Jersey; one application for a project located in Puerto Rico; one application for a project located in the U.S. Virgin Islands: and 33 applications for projects located outside of the Bank's District. In total, $144,076,280 of subsidy was requested to finance 10,553 units of affordable housing. At the completion of the 2016 scoring round, 39 projects were awarded AHP funds, totaling $32,620,510. When completed these projects will produce 3,128 units of affordable housing, with 2,139 units dedicated to very low income households (50% or less of AMI). For the first time in the history of the AHP, the state of NJ received more AHP awards, both in terms of projects awarded and AHP dollars granted. Neither Puerto Rico nor the U.S. Virgin Islands received AHP awards in 2016.

First Home Club Program ("FHC")

The First Home Club was developed by the Home Loan Bank to help provide added financial incentive for savings toward homeownership for low- and moderate-income, first-time homebuyers. The Bank will provide up to four dollars for each dollar saved in a dedicated savings account, resulting in a grant of up to $7,500 per household. All households must participate in the systematic savings plan with a participating member institution for a minimum of ten months. In addition to requiring a First Home Club savings account, a participating household must participate in an approved homeownership counseling program. The Bank will also provide up to $500 to cover the cost of counseling. The benefits of a dedicated savings program and rigorous homebuyer counseling program are made evident by a foreclosure rate of less than one percent among First Home Club households.

Interest in the First Home Club had dramatically increased in recent years and the program saw tremendous growth in both household enrollments and closings. Since inception of the program in 1995, the First Home Club has assisted 12,410 households totaling over $89 million in grant funding. For 2016 it is anticipated the Bank will assist approximately 1,620 households in achieving their goal of homeownership, awarding over $12.9 million in grant funding. To help contain the demand for this program within available funding means, household enrollment caps at the member and program level were initiated in 2015.

Letters of Credit

The Bank's Letter of Credit ("LOC") product supports community development by reducing transaction cost and enhancing the marketability of various bond issuances.

As of November 15, 2016, the Bank had a total of 462 outstanding letters of credit amounting to $11,242,747,795 consisting of the following letter of credit types:

Letter of Credit Type	Total Outstanding	Amount Outstanding
CICA Letters of Credit	11	$64,891,768
Standby Letters of Credit	5	$5,618,352
Municipal Letters of Credit	396	$10,084,971,675
Refundable Municipal Letters of Credit	50	$1,087,266,000

Below is an example of a CICA LOC issued in 2016:

» At the request of First Niagara Bank, National Association, a nationally chartered commercial bank in Buffalo, New York, the Bank issued a confirming standby LOC, in the amount of $7,337,126 over a term of two years beginning on May 19, 2016 and expiring on May 19, 2018 in favor of the New York State Housing Finance Agency, to credit enhance a First Niagara Bank's direct pay letter of credit. The New York State Housing Finance Agency made a mortgage loan to Conifer Village at Cayuga Meadows, LLC in Rochester, New York, for the construction of a 68-unit affordable rental housing project to be located in Ithaca, New York for low-income senior citizen tenants with annual income at or below 60% of the median family income for the area, by issuing tax-exempt housing revenue bonds to finance the loan.

EXHIBIT A

DISTRICT II MARKET PROFILE

Unemployment & Job Data:

National:
The national year-over-year unemployment rate fell from 5.1% in September 2015 to 5.0% in September 2016.

New York State & New York City:
New York State's unemployment rate increased from 5.1% in September 2015 to 5.4% in September 2016. The rate for New York City decreased from 5.2%, as reported in September 2015, to 5.4%, in September 2016.[11]

New Jersey:
The New Jersey unemployment rate decreased from 5.6% in September 2015 to 5.3% in September 2016.[12]

Puerto Rico:
The Puerto Rico unemployment rate increased from 11.4% in September 2015 to 11.9% for September 2016.[13]

Civilian Labor Force (Employed vs. Unemployed):

The table below displays the District II civil labor force numbers broken out for employed and unemployed persons as of September 2016 (numbers in thousands).[14,15,16,17]

District II Civil Labor Force		
District	**Employed**	**Unemployed**
New York State	6,730.5	383.4
New York City	6,743.4	383.0
New Jersey	4,319.4	243.34
Puerto Rico	998.0	134.69

[11] United States Department of Labor, Bureau of Labor Statistics – Databases, Tables & Calculators (National) http://data.bls.gov/timeseries/LNS14000000
[12] United States Department of Labor, Bureau of Labor Statistics – Databases, Tables & Calculators (New Jersey) http://data.bls.gov/timeseries/LASST340000000000005?data_tool=XGtable
[13] United States Department of Labor, Bureau of Labor Statistics – Databases, Tables & Calculators (Puerto Rico) http://data.bls.gov/timeseries/LASST720000000000006?data_tool=XGtable
[14] United States Department of Labor, Bureau of Labor Statistics – New York Economy at a Glance http://www.bls.gov/eag/eag.ny.htm
[15] United States Department of Labor, Bureau of Labor Statistics – New York-White Plains-Wayne Economy at a Glance http://www.bls.gov/eag/eag.ny_newyork_md.htm
[16] United States Department of Labor, Bureau of Labor Statistics – New Jersey Economy at a Glance http://www.bls.gov/eag/eag.nj.htm
[17] United States Department of Labor, Bureau of Labor Statistics – Puerto Rico Economy at a Glance http://www.bls.gov/eag/eag.pr.htm

Population and Demographics:

New York:

The U.S. Census Bureau estimated that in 2015 New York's population had increased to 19,795,791 residents from 19,378,112 in 2016, a 2.2% increase while the population of the United States increased by 4.1% overall. The foreign-born population of New York increased 22.3% between 2010 and 2014 whereas it increased 13.1% in the United States as a whole.[18]

New Jersey

The U.S. Census Bureau estimated that in 2015 New Jersey's population had increased to 8,958,013 residents from 8,791,936 in 2010, a 1.79% increase. The foreign-born population of New Jersey increased 21.5% between 2010 and 2014.[19]

Puerto Rico:

The U.S. Census Bureau estimated that in 2015 the Commonwealth of Puerto Rico's population decreased to 3,474,182 residents, from 3,721,526 in 2010, a 7% decrease. The U.S. Census Bureau expects this trend to continue. [20]

U.S. Virgin Islands:

In July 2016 the CIA estimated population of the U.S. Virgin Islands was 102,951.[21] The U.S. Census Bureau estimated that the population was 106,405 in 2010, a 3.35% decrease in population from 2010 to 2016.[22]

Affordable Rental Housing:

New York:

In New York, the Fair Market Rent (FMR) for a two-bedroom apartment is $1,388. A renter household needs a monthly income of $4,626, or an annual income of $55,508, in order for a two-bedroom rental unit at the FMR to be affordable.

Assuming a 40-hour work week, 52 weeks per year, this level of income translates into a housing wage of $26.69. A minimum wage worker earns an hourly wage of $9.00. In order to afford the FMR for a two-bedroom apartment, a minimum wage earner must work 119 hours per week, 52 weeks per year. Or a household must include 3.2 minimum wage earners working 40 hours per week year-round in order to make the two-bedroom FMR affordable.[23]

A unit is considered affordable if it costs no more than 30% of the renter's income. New York City households face a high rent burden in 2016, and it has grown considerably since last year. The median rent-to-income ratio in NYC rose from 59.7 % in 2015 to 65.2% in 2016. The typical burden increased in four of the five boroughs (Brooklyn – 65.4%; Bronx – 54.1%; Queens – 51.6%; Manhattan – 49.1%), with the notable exception of Staten Island, at 27.9%, which is considered the only affordable borough in NYC.[24]

New Jersey:

[19] United States Census Bureau: New Jersey http://quickfacts.census.gov/qfd/states/34000.html

[20] United States Census Bureau: Puerto Rico https://www.census.gov/popest/data/national/totals/2015/index.html

[21] VI 2015: Central Intelligence Agency World Factbook: https://www.cia.gov/library/publications/the-world-factbook/geos/vq.html

[22] VI 2010: U.S. Census: https://www.census.gov/2010census/news/releases/operations/cb11-cn180.html

[23] National Low-Income Housing Coalition; Out of Reach 2016 - New York http://nlihc.org/oor/new-york

[24] State of NYC Rent Affordability: http://cdn1.blog-media.zillowstatic.com/streeteasy/2/StreetEasy-2016-Rent-AffordabilityReport-7e91e8.pdf,

In New Jersey, the Fair Market Rent (FMR) for a two-bedroom apartment is $1,379. In order to afford this level of rent and utilities, without paying more than 30% of income on housing, a household must earn $4,596 monthly or, $55,152, annually. Assuming a 40-hour work week, 52 weeks per year, and this level of income translates into a Housing Wage of $26.51. In New Jersey, a minimum wage worker earns an hourly wage of $8.38. In order to afford the FMR for a two-bedroom apartment, a minimum wage earner must work 127 hours per week, 52 weeks per year. Or, a household must include 3.17 minimum wage earner(s) working 40 hours per week year-round in order to make the two-bedroom FMR affordable.[25] A unit is considered affordable if it costs no more than 30% of the renter's income.

Puerto Rico:
In Puerto Rico, the Fair Market Rent (FMR) for a two-bedroom apartment is $498. In order to afford this level of rent and utilities, without paying more than 30% of income on housing, a household must earn $1,660 monthly or, $19,930, annually. Assuming a 40-hour work week, 52 weeks per year, and this level of income translates into a Housing Wage of $9.58.

A minimum wage worker In Puerto Rico earns an hourly wage of $7.25. In order to afford the FMR for a two-bedroom apartment, a minimum wage earner must work 53 hours per week, 52 weeks per year. Or, a household must include 1.4 minimum wage earner(s) working 40 hours per week year-round in order to make the two-bedroom FMR affordable.[26]

Hourly Wage required to afford a 2 bedroom apartment, from 2015 to 2016

Jurisdiction	Hourly Housing Wages For 2-Bedroom (2015)	Hourly Housing Wages For 2-Bedroom (2016)	Percent Increase/(Decrease) 2-Bedroom Housing Wage
United States	$19.35	$20.30	4.91%
New York	$25.67	$26.69	3.97%
New Jersey	$25.17	$26.52	5.36%
Puerto Rico	$10.53	$9.58	(9.02%)

[25] National Low-Income Housing Coalition; Out of Reach 2016: - New Jersey http://nlihc.org/oor/new-jersey
[26] National Low-Income Housing Coalition; Out of Reach 2016: Puerto Rico - http://nlihc.org/oor/puerto-rico

National – Market Profile

State of the Nation's Housing

In its annual housing report, "The State of the Nation's Housing 2016"[27], the Joint Center for Housing Studies of Harvard University highlights several housing demographic trends on household growth. In its research, the Joint Center has consulted a number of sources which largely indicate that the housing markets show continued recovery. Construction is gaining momentum, home sales are strengthening and home prices are on the rise.

After years of weakness, the pace of household growth has picked up, rising from 653,000 in 2013 to 1 million in 2014 and then to 1.3 million in 2015—marking this the largest single year increase in a decade. The rental market continues to drive housing recovery, with over 36 percent of US households opting to rent in 2015—the largest share since the late 1960s. While the rental market continues to expand at a robust pace, the owner-occupied market is still in the process of recovery.

Homeownership rates continue a decade-long slide as down payment pressures affect many would-be homebuyers and the mortgage market conditions remain tight. However, the Center for Housing Studies predicts that homeownership rate should begin to stabilize in the next few years as foreclosures decline, mortgage credit conditions improve, and household incomes continue to rise.

Demographic Drivers:

Household growth, the primary driver of housing demand, is recovering. Incomes, immigration, and domestic migration are on the rise, and the millennial generation is poised to form millions of new households over the next decade. While the baby boomers will be less active in the home buying market as they approach retirement age, they will give a boost to improvement spending as they invest in projects that allow them to remain in their homes.

With the population aging and minorities driving most of the growth in households, the demand for housing will become increasingly diverse.

<u>Ethnic and Racial Diversity and Aging Population</u>

Two long-term trends have emerged that have widespread implication for housing demand: the growth in immigrant and minority households and the overall aging of the US population. The median age of the US population is 37.8 years and is projected to reach 41.0 years in 2035 as the baby-boom generation ages. Within the next decade, the number of households age 70 and over is projected to soar by over 8 million, or more than 40 percent. The aging of the population will have profound impacts on housing demand. First, the growing share of older households means further declines in residential mobility and housing turnover. Second, as they age in place in greater numbers, older households will not only contribute a larger share of remodeling spending, but will also increase demand for different types of projects, such as accessibility improvements. Third, the older households that do move will likely seek units that are smaller and less costly to maintain—the same types of housing young adults want to rent or buy as their first homes.

[27] *Joint Center for Housing Studies of Harvard University: The State of the Nation's Housing 2016*
http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs_2016_state_of_the_nations_housing_lowres.pdf

The millennial generation (those born 1985–2004) number more than 86 million and exceed that of the baby boomers at similar ages. Since renting is usually the first step in independent living, the millennials have already contributed to the robust growth in renter households over the past few years. It is anticipated that the millennials are likely to participate more fully in the first-time buyer and trade-up markets over the next two decades. Millennials will have a growing presence in housing markets as the younger members of this large generation enter adulthood and older members move into the prime first-time home buying years. These increases will lift the share of older households from 16 percent in 2015 to about 21 percent in 2025. While their aspirations for housing do not differ significantly from those of previous generations, millennials have come of age in an era of lower incomes, higher rents, and more cautious attitudes towards credit and homeownership, conditions that are likely to affect their consumption of housing for years to come. The Current Population Survey data shows that over the next 10 years, the millennial generation is expected to form 2 million households per year, increasing the total number of millennial-headed households from 16 million in 2015 to a projected 40 million in 2025.

Going forward, as the millennials replace the gen-Xers among households in their 30s and 40s, immigrants will fuel additional need for housing, adding to the strong demand expected from what is already the largest, most diverse generation in history. Minorities are expected to account for roughly 75 percent of household growth over the next 10 years. The growing minority share in housing markets is likely to boost demand for units that accommodate multigenerational households, given that young minority adults are more likely than young white adults to live with their parents and older minority adults are much more likely than older white adults to live with their children.

Immigrants have been an important source of household growth for decades. From a low of 704,000 in 2011, net international immigration climbed to an estimated 1.15 million last year. According to the Current Population Survey, the foreign-born contributed just over a third of the increase in households in 1994–2015, or about 450,000 households per year. Just when the large baby-boom generation was moving out of the prime household formation years, immigrants bolstered the ranks of the smaller generation-X population (born 1965–1984), changing the composition of that generation and stabilizing housing demand. The foreign-born thus accounted for nearly a fifth of household heads aged 30–49 in 2015. This latest influx has changed the mix of new residents, with today's immigrants more likely to be Asian than Hispanic. This shift largely reflects a falloff in immigration from Mexico as well as an increase in outmigration from the US to Mexico.

Furthermore, the changing mix of immigrants has direct implications for housing demand. Asian immigrants generally have higher incomes, higher homeownership rates, and higher levels of educational attainment than Hispanic immigrants. In 2014, foreign-born Asian households aged 25–44 had a median income of $82,000, or more than twice the $38,000 median income of similarly aged, foreign-born Hispanic households. In addition, the homeownership rate for foreign-born Asians was 57 percent, 15 percentage points higher than for foreign-born Hispanics.

<u>Income</u>

Seven years after the recession's official end, households are just starting to see modest income growth. Real median income of US households inched up 1.2 percent in 2014, the second consecutive year of growth. At $53,700, however, real median income was still 6 percent below the 2007 peak and lower than any pre-recession level dating back to 1996. Recent income growth has not been shared equally; the setbacks for some age groups have been larger than for others. Moreover, income disparities have increased sharply over the past few decades, with the average real income of households in the bottom decile down 18 percent in 1980– 2014 (from $7,700 to $6,300) and that of households in the top decile up 66 percent (from $154,000 to $256,000). Average real incomes for the middle two deciles grew a modest 6 percent over this period. As a result, the average top-decile household now makes 40 times the income of the average household in the bottom decile and 4.7 times that of the average household in the middle deciles.

Low incomes also prevent young adults from living on their own, so the recent pickup in income growth is good news for housing demand. With employment rising for the 67th consecutive month in April 2016, job growth has slowly translated into measurable income gains. Real median income for all workers age 15 and over edged up 1.0 percent in 2014, the third year of increases. Young adults made even more progress, with a 2.3 percent increase for workers aged 25–34 and 4.1 percent for workers aged 35–44 (Figure 15). While back above recent lows, the real median personal incomes for these age groups are still 9–18 percent below previous peaks.

Rental Housing

The number of renter households soared by nearly 9 million from 2005 to 2015—the largest increase over any 10-year period on record. Moreover, 2015 marked the largest single-year jump in net new renter households, up 1.4 million, with most of the gains posted in the first half of the year. According to the Housing Vacancy Survey, renters have accounted for all of the net growth in households since 2005.

Rental housing serves all types of households in a broad range of communities. In total, about 36 percent of US households— representing nearly 110 million people, including 30 million children—lived in rentals last year. While more than half of central city households rented their housing, the renter shares in suburban communities (28 percent) and in non-metro areas (27 percent) are also large.

Renters are more diverse than homeowners in terms of age, income, and household type. Although young adults are the age group most likely to rent, 34 percent of renter households are headed by an individual age 50 and over and 40 percent by an individual aged 30–49. While more than a third of renter households earn less than $25,000, a sizable and growing number of high-income households also choose to rent for the flexibility and convenience it provides. Families with children, one of the household types most likely to own homes, are increasingly likely to rent. Indeed, families with children make up 31 percent of renters, but only 27 percent of homeowners.

Rental demand is expected to remain robust over the next decade as the youngest members of the millennial generation reach their 20s and begin to form their own households. Moreover, if homeownership rates for households in their 30s and 40s continue to slide, rental demand will be stronger still. For their part, the aging baby-boom generation will boost the number of older renters, ultimately pushing up demand for accessible units.

The number of cost-burdened renters—those paying more than 30 percent of their income for housing—reached a record high of 21.3 million in 2014, according to data from the American Community Survey. The record number of renters paying more than half their incomes for housing underscores the growing gap between market-rate costs and the rents that millions of households can afford.

Homeownership

With mortgage credit still tight and foreclosures relatively high, the national homeownership rate continued to trend downward in 2015. Although low inventories of homes for sale are keeping prices on the rise, homeownership in many metropolitan areas remains affordable by historical standards and most Americans continue to believe that owning a home is a sound financial investment. The ongoing recovery in the economy may reinvigorate demand for homeownership, although how quickly a rebound might occur remains an open question. The decade-long slide in homeownership is unprecedented in American history, with the national rate down more than 5 percentage points from the 69.0 percent peak in 2004, to just 63.7 percent in 2015. The persistent decline reflects the lack of growth in the number of homeowner households at a time of robust growth in the number of renter households. According to the Housing Vacancy Survey, the number of renter households hit 42.6 million last year, an increase of 1.4 million from

2014 and some 9.3 million from 2004. Meanwhile, the number of homeowner households slipped to 74.7 million in 2015, down 87,000 from 2014 and up just 431,000 from 2004.

While homeownership rates for households of all ages and races/ethnicities have fallen, the size of the declines varies across groups. The largest drop has been among 35–44 year olds, with rates dropping nearly 11 percentage points from 69.2 percent in 2004 to 58.5 percent in 2015. By comparison, the homeownership rate fell about 8 percentage points among households under age 35, about 7 percentage points among households aged 45–54, about 6 percentage points among households aged 55–64, and just 2 percentage points among households aged 65 and over. As a result, homeownership rates for all but the oldest age group are now lower than in 1994.

A 2015 Demand Institute survey found that 83 percent of respondents expected to own homes in the future. Among renters, 52 percent expected to own homes, including 28 percent who anticipated buying a home with their next move, and 24 percent who expected to buy "someday." Moreover, especially large shares of younger renters expect to become homeowners, including 85 percent of those under age 30 and 69 percent of those aged 30–39. The ability of these households to buy homes will depend on future economic, housing, and credit conditions. While these factors are difficult to predict, slowing foreclosures and the relative affordability of homeownership suggest that the owner occupied housing market is likely to recover.

Housing Construction Trends

After a mixed year in 2014, the national housing recovery gained traction in 2015. Residential construction continued to climb as single-family starts revived. Sales of both new and existing homes also increased, and likely would have been even stronger if inventories were not so low. The widespread rise in home prices benefited millions of underwater homeowners and spurred renewed investment in homes and rental properties. With this rebound, the housing sector has increased its contribution to the economy, with more room to grow.

Rental housing markets across the country tightened again in 2015. While multifamily construction ramped up for the fifth consecutive year, demand continued to outstrip supply, pushing down vacancy rates and pushing up rents. Although renter household growth is likely to slow from its current pace, rental demand should remain strong over the coming decade, keeping markets under pressure— particularly at the low end.

Homebuilding remained on the upswing in 2015, with total housing starts climbing 10.8 percent to 1.1 million units. Single-family starts reached the 715,000 mark while completions hit 647,900 units, their highest level since 2008. Even so, the single-family sector is still struggling to recover after a decade of weakness, with only 750,000 units completed annually on average between 2006 and 2015—the lowest number in any 10-year period since 1968.

On the multifamily side, all key construction measures rose by double digits. Growth in multifamily starts topped 10 percent for the fifth consecutive year in 2015, reaching a 27-year high of 397,300 units. With single-family construction still recovering, 2015 was the fourth consecutive year that multifamily units accounted for more than 30 percent of housing starts, compared with 20 percent on average between 1990 and 2010. Signaling further expansion, multifamily permits rose 18.2 percent last year, to 486,600 units.

Housing Challenges:

Housing cost burdens remain a fact of life for a growing number of renters. These burdens put households at risk of housing instability and homelessness, particularly in the nation's high cost cities. Meanwhile, growing income inequality and the concentration of poverty have fueled an increase in residential segregation. With dwindling federal subsidies, state and local governments are struggling to preserve and expand the supply of good-quality affordable housing in all neighborhoods.

After three consecutive years of declines, the total number of housing cost-burdened households (paying more than 30 percent of income for housing) ticked up to 39.8 million in 2014. More than a third of US households faced cost burdens, including 16.5 percent with severe burdens (paying more than 50 percent of income for housing). Driving this increase is the growing number of cost-burdened renters, which jumped from 20.8 million in 2013 to a record 21.3 million in 2014. Worse still, more than half of these renters—11.4 million households—were severely burdened. These affordability pressures reflect the divergence between renter housing costs and renter incomes since 2001, with real median rental costs climbing 7 percent and real median renter incomes falling 9 percent. Meanwhile, the number of cost-burdened homeowners declined for the fourth straight year in 2014, down 2 percent. This brought the share of cost-burdened homeowners to 25 percent, its lowest point in over a decade. Unlike renter housing costs, owner housing costs fell 13 percent between 2010 and 2014, thanks in part to low interest rates but also to the fact that foreclosures forced many cost-burdened owners out of their homes. Cost burdens remain nearly universal among lowest-income households (earning under $15,000), with 83 percent paying more than 30 percent of their incomes for housing in 2014. Most of these households were severely burdened, including 72 percent of renters and 66 percent of owners.

Very low-income renters (earning up to 50 percent of area median) with severe burdens are at high risk of housing instability. One possible outcome for these vulnerable households is homelessness, particularly if they live in the nation's high-cost coastal cities. Although overall homelessness fell 11 percent between 2010 and 2015, to about 565,000 people, the problem in some cities has reached crisis proportions. Indeed, more than one in five homeless people live in New York City or Los Angeles. In 2014–2015 alone, the homeless population in New York City increased by 11 percent and in Los Angeles by 20 percent. Households living outside metropolitan areas have their own set of housing challenges. Poverty is widespread, affecting 18 percent of the non-metro population and 29 percent of people living in tribal areas. Indeed, poverty rates across all age and racial/ethnic groups are higher in non-metro than metro areas. In 2013, 41 percent of very low-income homeowners in non-metro areas were severely housing cost burdened, along with 48 percent of very low-income renters.