

2022 Targeted Community Lending Plan



Executive Summary

The Federal Home Loan Bank of Pittsburgh (Bank) is pleased to provide its 2022 Targeted Community Lending Plan (Plan). The Plan provides an outline of the Bank's proposed activities for 2022 that will assist our members in reaching their housing and community development goals for the communities they serve.

The Federal Housing Finance Agency (FHFA) Community Support Programs regulation at 12 CFR 1290 requires each Federal Home Loan Bank (FHLBank) to complete an assessment of the credit needs and market opportunities for community lending in its district. The regulation also requires each FHLBank to develop an annual Plan that:

- i. Reflects market research conducted in the Bank's District;
- ii. Describes how the Bank will address identified credit needs and market opportunities in the Bank's district for targeted community lending;
- iii. Be developed in consultation with its Affordable Housing Advisory Council (Council) and with members, housing associates, and public and private economic development organizations in the Bank's District;
- iv. Establish quantitative targeted community lending performance goals; and
- v. Identify and assess significant affordable housing needs in its district that will be addressed through its Affordable Housing Program (AHP)

Further, the Plan must be approved by FHLBank's Board of Directors, published on the Bank's public website and submitted to the FHFA.

Within this 2022 Plan, the Bank provides a summary of the credit needs and market opportunities identified by the Bank for its district (consisting of Delaware, Pennsylvania and West Virginia, herein referred to as "the District").

The development of the 2022 Plan relies primarily on a comprehensive report (the Housing Needs Assessment for Delaware, Pennsylvania and West Virginia, herein referred to as the "HNA report"), completed by the Bank in 2020. The HNA report describes housing challenges and community needs using information from a variety of sources. This includes quantitative data – large databases of national data analyzed for Delaware, Pennsylvania and West Virginia – and qualitative data found in existing studies and reports. It also includes community input from an online survey administered in June 2020 and five focus group meetings held between June 29 and July 1, 2020. Throughout the HNA report development, the Bank consulted with the Council, members, housing associates and public and private housing and economic development organizations in the Bank's District.

Some issues derived from this 2020 study were not new and remain issues into 2021, such as how low-income households are more likely to experience housing challenges. The HNA report shows that in the Bank's District there are an estimated 1.46 million low-income households experiencing housing challenges, including 677,650 homeowners and 782,197 renters. Of note, it highlights racial equity issues, particularly the significant gap in homeownership rates among Black and Latino households relative to white households, regardless of income or education.

The HNA report was developed during a time of great change and uncertainty. The COVID-19 pandemic – officially recognized globally in March 2020 – swiftly shuttered businesses, schools,

stores and services across the country, leading to what has been one of the most dramatic economic downturns in our nation's history. In the second quarter of 2020, job losses exceeded any period during the Great Recession while GDP declined 9.5%, the greatest quarterly decline on record. These daunting figures translate to suffering throughout our communities. The HNA report indicates the impact of the pandemic has a disproportionately negative impact on Black and Latino communities.

Additional efforts were taken by the Bank to assess and address market needs in the District through research of the pandemic federal funding and its overlap with community investment products, as well as hosting member community investment roundtable sessions to discuss market trends and needs with our members.

The Bank will optimize our community products in 2022 in a dynamic market environment (stimulus funding and pandemic-related cost increases), and with reduced statutory AHP funding.

The Bank continues to offer our "community dividend" to support affordable housing and community investment, which includes a suite of products and initiatives that provide members the resources needed to expand their lending and investing in affordable housing and community development. These community-related offerings are funded through the Bank's earnings either through a required annual contribution to AHP and First Front Door (FFD), or voluntary Bank contributions to products such as Banking On Business (BOB), Blueprint Communities® and Home4Good. The products offered by the Bank are important to our membership and the communities they serve.

In 2022, the Bank will continue efforts to assist our members and other stakeholders in the District to address the increasing challenges for affordable housing and community development identified in our market assessment and the yet unknown full impact of the COVID-19 pandemic.

Market Research

The Bank conducted extensive market research in 2020 to assess the credit needs and market opportunities in its three-state District. The HNA report provides a comprehensive analysis of the affordable housing and credit needs and opportunities. The HNA report is referenced throughout this Plan and was used to inform the Bank's strategy to address the needs and opportunities and to establish performance goals. Excerpts from the HNA report are included in this Plan and referenced here in the [HNA report](#). The findings in the HNA report are still applicable in 2021. The Bank completed additional market research to address the needs in the Plan.

Throughout 2020 and 2021, the federal stimulus funding provided significant resources to address the negative economic and housing effects resulting from the pandemic. The Bank completed an analysis on the federal funding provided through the CARES Act, Consolidated Appropriations Act, American Rescue Plan Act and Fannie and Freddie Housing Trust Fund and Capital Magnet Fund and their overlap with the Bank's community products. Between the sources, gaps still exist for the creation of permanent affordable housing, assistance for first time homebuyers, small business assistance and comprehensive community development efforts.

The market research completed by the Bank will help shape and develop the Bank's 2022 Community Lending and Affordable Housing goals. The results of the 2021 goals will allow the Bank to focus on opportunities for enhancements and fill gaps in the market. Continued member engagement will be key to implementing these goals.

The Bank's 2022-2026 Strategic Plan includes a market assessment, which helps inform the needs, opportunities and goals in this Plan. One of the business principles in the Strategic Plan is "engaging members via the Bank's community dividends to help vitalize the communities they serve." The Strategic Plan includes the following:

- Community dividends provide value to the cooperative and our District by enhancing our membership's connection to their communities and addressing vital needs.
- Contributions to community dividends are predicated on earnings and are either required by statute or Board-directed voluntary allocations.

Key Strategic Implications

- Lower earnings will reduce the statutory funding requirement for AHP.
- Significant affordable housing, community and socioeconomic needs exist, and racial equity disparities persist.
- The pandemic's economic and social impact continues particularly among lower-wage workers, poorer communities and Black and Latino households.

Potential Strategic Responses

- Optimize community products in a dynamic market environment (stimulus funding and pandemic-related cost increases).
- Execute on the Board-directed framework to provide a Voluntary Housing Grant in 2022 focusing on District needs.
- Measure outcomes/impact in addressing priority needs.
- Continue exploring/executing racial equity initiatives.

Consultation with Stakeholders

Affordable Housing Advisory Council

The Bank's Council has 15 members who represent a cross-section of housing, economic and community development professionals from the Bank's District. The Council's purpose is to advise the Bank's Board and management on housing and community development matters in the District. Council members also assist the Bank in developing an ongoing understanding of specific needs and help build relationships with community stakeholders.

The Council actively participated in the HNA report and worked closely with Bank management to establish AHP policy, including an outcomes framework, AHP allocation and scoring priorities in the Bank's General Fund.

In 2021, in addition to the required quarterly meetings with the Bank's Board and management, the Council developed task forces and met for additional sessions on the current AHP scoring, its alignment with the established outcomes and strategic development for policy implementation.

Engagement of Strategic Partners

The Bank engages strategic partners to enhance and sustain external partnerships that result in direct and indirect business opportunities for the Bank with its members and other key stakeholders. As it relates to community investment, the Bank enhanced or created new relationships by sponsoring and participating in conferences, article placements, joint event planning and execution, and engaging in policy discussions. The aim is to strengthen partnerships ensuring broad-based member and other key stakeholder use of the Bank's affordable housing and community products.

Strategic partners also are an important avenue for disseminating information to broader audiences and stakeholders. The Bank's communications related to our community dividends opportunities, announcements, product timelines and special initiatives are shared with our strategic partners as a way to further collaborate with key stakeholders and to reach a broader audience throughout the District.

Engagement with strategic partners continues to be impacted by the COVID-19 pandemic. Efforts to date remain focused largely on virtual or remote opportunities and article publication.

- On May 5, the Bank hosted its first in-person event since the start of the pandemic. This roundtable engaged U.S. Senator Pat Toomey and several local community bank members for a discussion of the regulatory environment, government stimulus programs, housing market and economic policy.
- The Bank participated in a Delaware Housing Alliance roundtable and highlighted the AHP.
- The Bank also presented AHP and participated in a panel on diversity, equity and inclusion during events hosted by the Pennsylvania Association of Housing and Redevelopment Agencies.
- The Bank has contributed to trade publications in 2021:
 - Delaware State Chamber of Commerce article with an overview of the Bank and our community investment products.
 - Delaware Bankers Association article on supplier diversity.
 - Philadelphia Association of Community Development Corporations article on AHP, featuring Rebuilding Together Philadelphia and member Univest Bank.
 - Pennsylvania Association of Community Bankers (PACB) article focused on building effective relationships with members of Congress.
 - Delaware State Housing Authority, Philadelphia Association of Community Development Corporation (PACDC), and West Virginia Housing Development Fund all pushed AHP round information to their constituents to encourage new and diverse developers to apply.
 - PACDC, Delaware Housing Alliance helped promote the Heir's Property Forum and encouraged applicants to participate.
 - The Bank participated on Delaware Housing Alliance Continuum of Care scoring committee to gain familiarity with Home4Good service providers.

Members, Housing Associates and Public/Private Economic Development Organizations

In 2021, the Bank hosted a series of four virtual community bankers roundtable discussions with our membership's community representatives to discuss current events and receive feedback on the Bank's community product offerings. It was generally reported that members are pleased with the Bank's community products and services, but acknowledged that there are many competing interests and challenges. Challenges mentioned include the anticipated Community Reinvestment Act reform, as well as navigating uncertainty on how to best serve their communities during the pandemic. Discussions on opportunities for additional collaboration included a wide array of initiatives related to diversity, equity and inclusion.

Additionally, the Bank partnered with FHLBanks of Atlanta, Dallas, Boston, and the Federal Reserve Banks of Richmond and Atlanta to host the first Heirs' Property Prevention and Resolution Funders' Forum (Forum). The Forum connected capital, human and organization resources with scaled solutions to heirs' property issues through pilot initiatives that had an interest in conducting business in 22 states, including our District.

The initiative sought to address an heirs' property which occurs when a property owner dies intestate or with a will that leaves property to multiple beneficiaries, resulting in a fractured or entangled title. Left unresolved, this becomes a barrier to the ability to sell, collateralize, improve or otherwise transfer the property. Because heirs' property is disproportionately found in racial and ethnic minority, low-wealth, rural and distressed urban communities, it is a critical barrier to minority homeownership and the creation of generational wealth and racial equity.

In our District, property ownership issues are also referred to as "tangled title." Tangled title can occur as the result of an heirs property issue or for other reasons.

As a significant contributor to blight and unrealized equity in poor neighborhoods throughout the country, the scale and pervasiveness of this challenge is significant. For example, in a study conducted by the Pew Charitable Trust, in Philadelphia alone, there are over 10,400 tangled titles whose properties, valued at a median price of \$88,800, are collectively worth over \$1.1 billion. The cost to remedy can be a financial barrier to those affected. It can cost as much as \$9,200 for an average home valued at the median of \$88,800 to hire an attorney to resolve tangled title property issues.

Through the US. Department of Agriculture, the Biden Administration will invest \$67 million through a certified community development financial institution to help address the heirs' property issues.

Data alone does not convey the full picture of housing and community lending needs. The information may identify the populations and locations with disproportionate needs, but to gain a better understanding of why these issues persist requires input from the housing providers and funders working in the community.

To accomplish this, in 2020 as part of the HNA, FHLBank solicited feedback from its network of organizations working in the affordable housing industry through a) an online survey, and b) a series of focus groups where industry experts discussed housing and community lending challenges and opportunities within their respective areas.

- Survey

In the first half of June 2020, FHLBank sent an invitation to 415 stakeholders to complete an online survey of housing needs. Stakeholders included lending institutions, nonprofit developers, local governments, supportive service providers, advocates and housing experts who have worked with the Bank in the past and are currently active in affordable housing-related activities within the District. The survey participation rate was high (70%), representing diversity among organization types and locations. The survey results identified key challenges and needs which helped inform the HNA report.

- Focus Groups

From June 29 to July 1, the Bank’s consulting team facilitated five virtual focus groups around the following topics:

- Urban and suburban affordable housing issues
- Rural affordable housing issues
- Housing and supportive services needed for the homeless population and other vulnerable households
- Equitable housing for minority communities and households
- Affordable housing challenges from the perspective of lending institutions

Participants included industry experts from 44 organizations, including member financial institutions, nonprofit developers, community lenders, advocacy groups, public housing authorities, government housing departments and homeless service providers. Prior to the meeting, participants received preliminary housing needs information and instructions for how to prepare for their focus group. They were asked to think of one critical housing need and one potential solution to share with the larger group to provoke discussion with other participants around this topic.

The focus groups were held virtually using Zoom video conferencing combined with the Mural online meeting facilitation platform. The key takeaways from these focus group meetings are summarized in the Stakeholder Engagement section of the HNA report and throughout the Plan as it pertains to the fundamental housing and community lending challenges. The list of organizations that responded to the survey and/or participated in a focus group is also included in the HNA report.

Market Research Methodology

The HNA report describes housing and community challenges and needs using information from a variety of sources. This includes quantitative data – large databases of national data analyzed for Delaware, Pennsylvania and West Virginia – and qualitative data found in existing studies and reports.

The primary data used for the HNA report comes from the American Community Survey (ACS) 2018 five-year estimates, which captures demographic, housing and economic indicators for all areas of the United States. The study assessed this data for Census Tracts (units of geography totaling 2,500 to 8,000 people), counties, regions and states. The regions were defined using a combination of state agency boundaries and metropolitan statistical area (MSA) boundaries used by the U.S. Census Bureau. The analysis examines HUD data, primarily the Comprehensive Housing Affordability Strategy (CHAS) datasets from 2018 (which uses ACS

five-year 2012-2016 data) that identifies housing challenges by tenure, income, race/ethnicity and household type.

Additional datasets used for the HNA report come from the U.S. Bureau of Labor Statistics, U.S. Department of Health and Human Services, the Brookings Institute, ESRI Business Analyst and Zillow.

The HNA also incorporates housing needs as described by state and regional housing plans, reports on homelessness and feedback from Bank stakeholders through surveys and focus group discussions. Finally, the HNA report incorporates recent data tracking the impact of COVID-19 on low-income families and the housing market.

The federal stimulus money that provided financial resources for affordable housing and other vulnerable populations like those experiencing homelessness was reviewed to determine overlap with funding provided by the Bank. The funding's intent and purpose were analyzed through articles, press releases and otherwise. While some of the funding had significant overlap with community investment products' purpose, many gaps remain, including the development of affordable housing.

Strategic Plan

The Bank's Strategic Plan starts with the Bank's mission which is to assure the flow of credit to members to support housing finance and community lending and provide related services that enhance their businesses and vitalize their communities.

One of the Strategic Plan's five strategic objectives is to deliver member value which includes increasing Bank product use and building strategic relationships. Providing a relevant mix of community products that help our members achieve their community investment objectives is an important resource. Developing and maintaining relationships with our strategic partners helps the Bank promote our products to a broader segment of our membership while also addressing underserved markets.

The goals in this Plan align with the Bank's Strategic Plan.

Credit Needs, Significant Affordable Housing Needs and Market Opportunities

While the HNA report describes the most pressing housing challenges for low-income households in Delaware, Pennsylvania and West Virginia in 2020, most data used to inform key findings is pre-pandemic and pre-economic recession/depression of 2020. Although we cannot predict how the COVID-19 pandemic will influence our economy over the long term, clearly the ramifications from the pandemic will drive much of the credit needs, affordable housing needs and market opportunities for some time to come. Therefore, this section highlights major excerpts related to the pandemic from the HNA report.

The COVID-19 pandemic severely impacted America's economy, resulting in the highest unemployment rate since the 1930s. Current economic conditions appear more stable than the unemployment rate would indicate due to government relief programs, notably the Coronavirus Aid, Relief, and Economic Security (CARES) Act and later, the Consolidated Appropriations Act,

American Rescue Plan Act and Fannie and Freddie Housing Trust Fund and Capital Magnet Fund. Regardless of government aid, the pandemic is expected to take a toll on the economy, and the District can expect to see increased foreclosures, evictions and homelessness over the next two years as a result.

The pandemic has accelerated growing economic trends like online shopping and increased automation, which will have profound long-term consequences for the retail and food services sectors. Homeowners who lost their jobs in these sectors are at a higher risk of foreclosure. Without either rapid economic recovery (which doesn't seem likely at the time of this report) or additional government aid, the fallout will impact all industries. We may experience another freefall of home prices a year from now comparable to the Great Recession, and like 2008, low-income families who achieved homeownership in the past five years of economic growth – particularly families of color – might be negatively impacted.

Informed by the HNA report and input from a variety of stakeholders, the following are the non-housing community needs:

- Alleviate challenges related to the pandemic, including economic recovery
- Address racial equity issues, including wealth and community health disparities
- Increased lending and investment in lower income areas
- Job growth, especially through small businesses
- Community leadership, planning and execution of projects
- Capacity building in organizations supporting lower income communities

Significant Affordable Housing Needs

The ongoing pandemic has not altered housing needs, but rather exacerbated existing conditions.

For the last five to 10 years (depending on location), rents and home prices have escalated while construction and land prices have increased. The families and individuals that struggled to afford housing before the pandemic will continue to struggle. This includes low-wage earners, persons on fixed incomes like seniors and households with disabilities, rural low-income families and the unemployed.

The data available to estimate housing affordability challenges have long indicated significant needs among households earning less than 50% of the area median income (AMI). Based on current rents, there are no communities within the District where renters earning at or below this threshold can afford a standard one-bedroom apartment. In real terms, this means fast food workers, janitors, retail workers, cashiers and daycare workers, among others, cannot afford renting a standard apartment, even working full-time. It also means that low-income persons who are unable to work due to a disability or age, do not receive enough assistance to rent an apartment, and must compete for subsidized housing in limited supply. This indicates a greater need for lower rents, even among subsidized units, and a preservation of existing rental stock.

The renters living paycheck to paycheck, along with individuals transitioning from institutions like foster care or the prison system, are at a substantially higher risk of homelessness. According to the homeless service providers consulted for this report, the most effective way to address homelessness is to avoid it happening in the first place. This illustrates how homeless prevention services, including rental assistance, job training, legal services and transitional

housing are effective at reducing the rate of homelessness. There, however, are individuals who experience frequent homelessness due to mental illness, disabilities and addiction disorders who require permanent supportive housing combined with wraparound services.

The District is also home to older housing stock. This includes distressed older homes in historic urban areas, disinvested small and mid-sized manufacturing towns and rural housing. In the online survey, focus groups and review of state and community housing plans, the need for rehabilitating older housing stock was a common theme, whether these homes were occupied or not.

Some issues that came from this study were not new, but the affordable housing industry is bringing new focus on these matters. This includes the significant gap in homeownership among Black and Latino households, regardless of income or education. Focus group participants in the affordable housing financing session emphasized the need for lenders to become more involved with minority communities to bridge the gap.

The study also emphasizes how the Baby Boomer generation – a very large demographic group – will be entering their senior years over the next decade, and the housing needs of low-income seniors will need to be addressed in a way that acknowledges significant lifestyle changes. Seniors are living longer, and are more likely to work, take care of their children and grandchildren and have home mortgages compared to past generations. This emphasizes a need for more versatile solutions for low-income seniors, including aging in place programs, access to public transit, legal protection services and family senior housing.

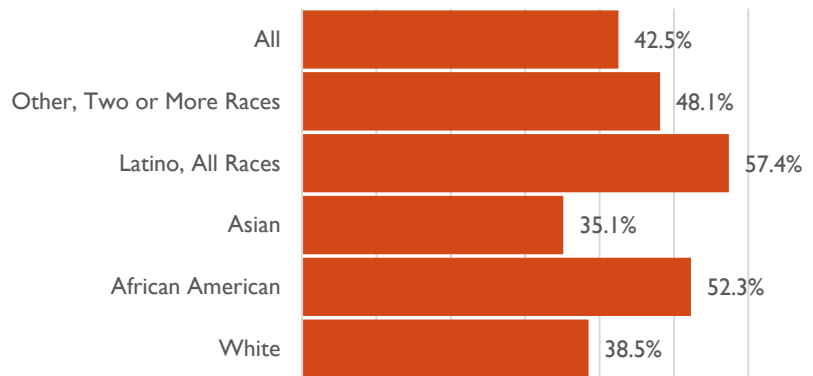
The Bank established the following priorities based on the HNA report, research and national trends which remain valid in 2021:

- Equitable Housing

The HUD CHAS data documents housing challenges (paying more than 30% of income on housing, living in overcrowded conditions and/or living without basic plumbing or kitchen facilities) categorized by tenure (renter and homeowner households), income and race/ethnicity. This report analyzed the most recent data available to document the housing challenges experienced by different races and for the Black and Latino populations throughout the District. Based on this analysis, we see the following:

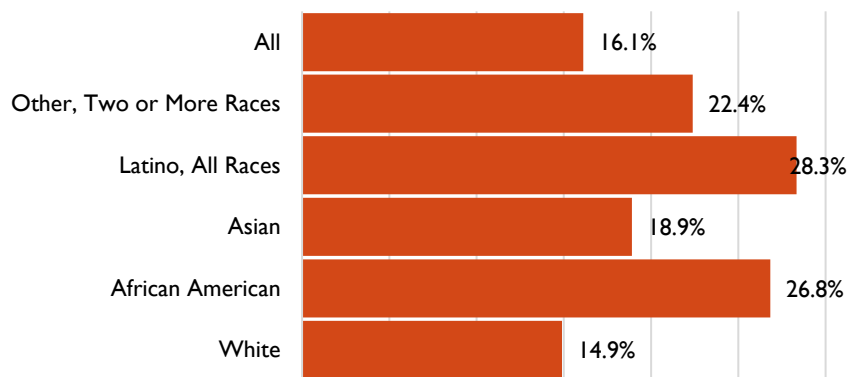
- More than half of low-income Black and Latino renters experience housing challenges, at 52.3% and 57.4%, respectively. This is substantially higher than white (38.5%) or Asian (35.1%) renters.
- Low-income homeowners, in general, are less likely to experience housing challenges than low-income renters. Similarly, there is significant a disparity between Black and Latino homeowners who experience housing challenges (26.8% and 28.3%, respectively) compared to white (14.9%) or Asian (18.9%) homeowners.

Percentage of Low-Income Renters that Experience Housing Challenges in the District



Source: HUD CHAS 2018 using five-year American Community Survey 2016 data

Percentage of Low-Income Homeowners that Experience Housing Challenges in the District



Source: HUD CHAS 2018 using five-year American Community Survey 2016 data

Within the District, the overall disparity is striking, with a 30-point difference in homeownership rates between white and Black or Latino households.

Homeownership Rates by Race and Ethnicity in the District

	White	Black	Asian	Hispanic, All Races
Homeownership Rate	74.5%	44.7%	57.4%	41.4%

Source: HUD CHAS 2018 using five-year American Community Survey 2016 data

The disparity can partially be attributable to longstanding income gaps, (which we can assume would lead to lower homeownership rates among Black and Latino households), but the disparity is evident even when controlling for indicators like income and education.

- Affordable Rental Housing

The most significant need for rental housing is affordable apartments for very low- and extremely low-income households. This is clearly illustrated in the data and reiterated in focus groups, the survey and in state and local housing plans.

According to HUD CHAS statistics, 60% of all extremely low-income renters pay more than half of their income toward housing, and one in four very low-income renters pay more than half of their income toward housing (referred to as “severely cost burdened”). This is significantly higher than the percentage of renters earning between 50% and 80% of AMI (low-income renters) who are severely cost burdened (8.6%).

The household type with the greatest number of housing needs are single individuals living alone. This is a growing demographic seen in national trends and calls for more studio and one-bedroom units and/or alternative housing models such as cohousing. The household type with the greatest likelihood of housing needs are low-income seniors living alone. Black and Latino renter households are more likely to experience housing challenges regardless of income.

- Homelessness and Those at Risk

Homelessness is a growing crisis across the United States due to rising housing prices, the opioid crisis and the Great Recession, where poverty rates reached 15% in 2015, the highest in 20 years. Although there are multiple causes of homelessness, the most significant cause is a lack of affordable housing, followed by unemployment, disabilities and substance abuse. The greatest need for affordable housing is among homeless individuals.

Certain individuals and families that are at a higher risk of homelessness include: extremely low-income households, particularly single mothers with children; persons with mental illness; persons with addiction disorders; persons with disabilities; and seniors on fixed incomes. It also includes unaccompanied youth and those transitioning out of institutions (like mental health institutions and prisons). Additionally, according to the point-in-time surveys, there are at least 1,059 homeless veterans within Delaware, Pennsylvania and West Virginia (although the actual number far exceeds this figure due to the difficulties in tracking homeless populations).

Based on focus group responses of our subject matter experts, housing alone will not address homelessness. Individuals and families often require a network of systems to create long-term pathways toward self-sufficiency and support. This may require coordination with the criminal justice system, child welfare counseling and behavioral health providers. Service providers in all aspects of support should coordinate services and share information to increase stability among those receiving the services. This requires coordination between housing providers and other city and state departments, including behavioral health services, the school system, workforce development and the courts.

- Rehabilitation and Preservation

The District has some of the oldest housing stock in the United States with 17% of housing built before 1940 (compared to 13.5% nationally). In older low-income communities, this often means a deteriorating housing stock in need of repair. For communities with declining populations, an older housing stock can also lead to widespread blight and loss in property

values. In dire circumstances that disproportionately impact the working poor, seniors and persons with disabilities, it can also mean living in conditions that pose health and safety risks.

In the review of statewide housing goals, the housing survey results and the comments from focus group participants, the rehabilitation of older homes is cited as a top priority, both as a means to address need, and as an opportunity to revitalize existing neighborhoods. The need expands across all regions, including low-income communities of color within urban areas; older mobile home communities; rural housing; and small and mid-sized cities in need of a downtown or “Main Street” revitalization.

The need also includes the preservation of affordable rental housing, where apartments subsidized by federal programs in the 1990s may begin to increase rents, further limiting the supply of rental units affordable to most low-income renters. When a development reaches its affordability expiration date, the owner may transition the development to market-rate housing or apply for additional funding for substantial rehabilitation, starting a new affordability requirement period.

For subsidized rental housing in high-value areas, the rents at market rate without any subsidy may be more profitable than highly subsidized affordable rental units. According to survey participants, this is a growing concern in the District, particularly in places like Philadelphia where rents have spiked in historically high poverty areas over the past decade.

- Housing for Older Adults

As the Baby Boomer generation shifts into their older years, their housing needs will rise significantly. Low-income older adults largely rely on social security to survive, comprising 72% of their income. While housing, utility, construction and health care costs increase beyond inflationary rates, the incomes of seniors on fixed incomes do not. This places a tremendous financial burden on low-income seniors, who are at a greater risk of homelessness, foreclosure and living in deteriorating housing conditions.

According to HUD CHAS data, there are 115,000 extremely low-income (i.e., earning less than 30% of AMI) senior renters and 80,000 extremely low-income senior owners in the District who are cost burdened. Among all low-income seniors (those earning less than 80% of AMI), 57% of renters and 41% of owners are cost burdened.

- Rural

Rental housing in rural areas has unique needs distinct from urban and suburban rental markets. According to survey responses and focus group input, the greatest challenge to developing affordable rental housing in rural areas is that subsidized rents are not sufficient to fund development because, overall, incomes are lower.

Homelessness in rural areas is a unique issue in both tracking the extent of the problem and in addressing it. In contrast to urban areas, which have “clusters” of service providers near homeless concentrations, rural homeless individuals tend to be spread out and more hidden, living in forest encampments, their cars or abandoned homes. And, unlike urban areas, there are fewer services like shelters, food banks, health care and job counseling, and they are more dispersed in various towns. Since most homeless individuals presumably

do not have a car, accessing these services, or even a job, is extremely difficult. As a result, rural homeless individuals are more likely to remain unaccounted for and are unable to access many of the services available to homeless individuals and families living in urban areas.

This also has a negative impact on the funding available to address rural homelessness. HUD financial assistance is based on the number of counted homeless individuals in a community through their annual point-in-time surveys. Since rural homeless individuals are more likely to be unsheltered, the counts will be disproportionately lower in rural areas.

There are an estimated 4,000 households in the District living in homes that lack heat, basic plumbing or a functional kitchen. This figure only represents the outcome of household surveys conducted by the Census; the true number is likely much higher, since homes in such disrepair are less likely to receive or complete surveys. The areas with the highest concentration are in rural areas of West Virginia and in Pennsylvania.

Addressing Credit Needs and Market Opportunities

To address credit needs and market opportunities, the Bank supports its member financial institutions' efforts to finance affordable housing and community and economic development. The primary way the Bank does this is through a suite of community products:

- Affordable Housing Program (AHP) – creates or preserves affordable housing. Members partner with a developer to apply for a grant through a competitive process.
- First Front Door (FFD) – members apply for up to \$5,000 toward closing costs and down payment assistance for first-time homebuyers earning 80% or less of the AMI.
- Home4Good – provides grants to projects, programs and activities that help those who are experiencing homelessness or are at risk of becoming homeless. Home4Good is offered through the three state housing finance agencies in the Bank's District through a structured partnership. Applications are submitted through an annual proposal process, with members serving as co-applicants.
- Banking On Business (BOB) – provides secondary financing in conjunction with a member's first loan to help small businesses that would not otherwise meet the member's underwriting standards.
- Community Lending Program (CLP) – offers discounted advances to members with qualified community lending activity.
- Blueprint Communities – creates momentum to help revitalize communities by training local leaders to capitalize on their community's assets by developing a long-term community plan. Members participate in the training and planning and help finance community projects.

Of the six community products, two are required by statute, one is an optional set-aside and three are voluntary products unique to FHLBank Pittsburgh.

2021 Community Investment Products Summary

<u>Authority</u>	<u>Product</u>	<u>Beneficiaries (all products benefit members)¹</u>	<u>Allocation Authority</u>
Required by the statute	Affordable Housing Program (AHP)	Low- and moderate- income households	10% of net income
Optional AHP set-aside	First Front Door	Low- and moderate- income first-time homebuyers	25% of AHP (Board established)
Required by statute	Community Lending Program (CLP)	Community projects	Up to \$2.6 billion (Board established)
Voluntary	Banking On Business (BOB)	Small businesses	Annual Board approval
Voluntary	Home4Good	Individuals and families at risk of homelessness	Annual Board approval
Voluntary	Blueprint Communities	Aging communities	Annual Board approval

¹ 80% of area median income set by HUD, based on county and state and adjusted by family size

Refer to the Bank's [Impact Report](#) or our [community investment success stories](#) for details on these products and their impact.

Responding to COVID-19

The Bank has and will continue to consult with our members, strategic partners, policy makers, FHLBanks and other community stakeholders when responding to COVID-19 developments. We have also been monitoring stimulus and relief programs offered by federal, state and local governments, which will help the Bank direct our resources toward needs that are not being fully addressed. With the rapidly changing situation and expanding the duration of the market disruption, the strategy must be fluid and adjust to address external factors as they occur.

Actions taken by the Bank in 2021:

- Continued existing products with no disruption.
- In light of lower earnings, the Bank assessed the impact and effectiveness of our community dividends.
- Board approved a framework for a voluntary contribution – a one-time contribution to be implemented in 2022 only. This additional funding is to be used for housing needs of affordable housing development for in-district projects only.
- Advanced diversity, equity and inclusion (DEI) initiatives as follows:
 - Vetted the new AHP scoring category for projects located in low-income, minority areas with the Finance Agency, Consumer Financial Protection Bureau, Department of Housing & Urban Development and the three banking regulators. No concerns or issues that would change our direction were identified.
 - Implemented the new AHP scoring category noted above.

- Selected a consultant to conduct market research to help guide and develop a DEI external strategy. The majority of the market research, including a member survey, will conclude in 2022.
 - Completed an AHP outreach strategy for the 2021 funding round to reach organizations serving low-income, minority areas.
 - Analyzed community product data to develop metrics for future product performance.
 - Began research into creating a special purpose credit program under the Banking On Business product.
- Created outcomes for AHP general fund awards to be monitored over a three-year period, 2021-23.
- Discussed with Council a strategy for our product offerings in light of lower Bank earnings, and the impact of the pandemic related to construction costs and timeline delays for affordable housing development projects.
- Conducted outreach, technical assistance, and educational sessions virtually.

Based on credit needs and market opportunities, in 2022, the Bank will:

- Continue to offer our suite of six community products, and adding a Voluntary Housing Grant in 2022 for in-district projects.
- Respond to market needs resulting from the pandemic, including recovery efforts.
- Optimize community products in a dynamic market environment (stimulus funding and pandemic-related cost increases).
- Engage members via the Bank's community dividends to help vitalize the communities they serve with an emphasis on members' business and Community Reinvestment Act (CRA) opportunities.
- Assess the impact of the changes made to the 2021 AHP scoring under a new AHP regulation.
- Continue to implement and explore, as allowed by applicable regulation, opportunities to refine our community dividends to enhance opportunities to support diverse persons and communities and develop an external racial equity strategy.
- Expand awareness and participation in the Bank's community products by organizations serving diverse populations.
- Build strategic partnerships by strengthening relationships with multiple stakeholders, coordinating investment of limited resources among funders, developing banking partnerships and convening stakeholders to share best practices and ideas to address significant issues.
- Provide education and networking for members that expands their opportunities to support community investment.
- Through Blueprint Communities, support community leaders and local capacity building, and reward community and housing developments that are consistent with sound local planning and have the potential for the greatest impact.
- Continue to offer FFD as a resource for homeownership opportunities for first-time homebuyers.
- Support economic development by encouraging the creation/expansion of small businesses through access to appropriate capital resources including BOB.
- Focus on the most critical housing needs in the District.
- Continue to address homelessness and support those at-risk of homelessness through the Bank's Home4Good product.

Addressing Significant Affordable Housing Needs through AHP

In 2022, the Bank will address the significant affordable housing needs and meet the statutory and regulatory requirements under AHP by:

- Optimizing our community products in 2022 in a dynamic market environment (stimulus funding and pandemic-related cost increases), and with reduced statutory AHP funding.
- Allocating 35% of the AHP subsidy to FFD, set aside for low-income first-time homebuyers, which addresses one of three statutory requirements.
- Continue the use of the scoring methodology under AHP’s General Fund, that aligns with the findings in the HNA and includes:
 - Two statutory scoring requirements: 1) Use of donated or conveyed government-owned or other properties and 2) Sponsorship by a not-for-profit or government entity; and
 - Scoring categories addressing significant needs in the Bank’s District as outlined below.
- Continue to assess the needs of affordable housing while providing an additional contribution of funding in 2022 to support affordable housing development in Delaware, Pennsylvania and West Virginia.

The Bank will not establish a Targeted Fund in 2022.

2022 AHP Scoring	Housing Needs Assessment (HNA) findings supporting the 2022 AHP scoring
<u>Income targeting</u>	The lower a household’s income , the more likely it is that they will experience housing challenges. Paying a substantial share of income on housing, leaves less money for food, healthcare, transportation and the ability to save, which increases housing insecurity.
<u>Underserved communities and populations</u> <ul style="list-style-type: none"> • Housing for homeless households • Special needs populations and veterans • Rental housing for extremely low-income households • Housing in rural areas 	The HNA report demonstrates a significant need to support those who are homeless or at-risk of homelessness , which includes a list of vulnerable populations. Renters who earn less than 30% of area median income experience financial instability and are at a high risk of homelessness. The HNA report also describes the needs of people with special needs and veterans . Rural areas are challenged by fewer financial resources and service providers/developers, lower incomes and development challenges.

<p><u>Creating economic opportunity</u></p> <ul style="list-style-type: none"> • Promotion of empowerment • Residential economic diversity – housing in areas of opportunity, which are middle to higher income areas 	<p>Supportive housing, with wraparound services and other types of training and services, enables a more successful pathway to housing stability and better quality of life, which housing alone cannot achieve. Providing housing opportunities for low-income families in “areas of opportunity” can provide better access to jobs and schools.</p>
<p><u>Community stability</u></p> <ul style="list-style-type: none"> • Community planning • Rehabilitation of existing properties • Historic property rehabilitation • Preservation of existing subsidized housing 	<p>Affordable housing development can have a positive impact on the well-being of the community. Consistency with community planning ensures community support and broader alignment with a local vision. Home repair and rehabilitation is needed due to aging housing stock and the inability of many low-income families to afford repairs. Stabilizing communities involves property improvements that may remove blight, adaptively reuse properties and renovations of historic properties, which are community assets. The need also includes the preservation of affordable rental housing where subsidized apartments with expiring restrictions may begin to increase rents, further limiting the supply of affordable rental units.</p>
<p><u>Bank District priorities</u></p> <ul style="list-style-type: none"> • Projects serving low-income minority areas • New homeownership in low-income minority areas • Projects in the Bank’s District • Sustained affordability 	<p>Black and Latino renter households are more likely to experience housing challenges regardless of income, and within the District, there is a 30-point difference in homeownership rates between white, Black or Latino households. The HNA report illustrates a significant need in Delaware, Pennsylvania and West Virginia. Development models and structures that extend affordability periods help maintain and sustain the supply of affordable units in the market.</p>

Community Lending and Affordable Housing 2021 Performance and 2022 Goals

Goal Title	2021 Goal	2021 Performance	2022 Goal
1. Expand the use of the Bank's community lending products and services			
a. Increase the number of members using the Bank's community investment products	Increase member uses of community investment products: <ul style="list-style-type: none"> • Threshold: 228 • Target: 239 • Maximum: 257 	As of Oct. 31, 2021, there has been 216 uses of Community Investment products by 143 different members. Products include the Affordable Housing Program (AHP), First Front Door (FFD), Banking On Business (BOB), Home4Good and the Community Lending Program (CLP).	Optimize the membership's use of Community Dividend products: <ul style="list-style-type: none"> • Threshold: 224 • Target: 235 • Maximum: 250
b. Technical assistance and education	Provide technical assistance resources and educational opportunities to both members and key program participants. Specifically, conduct outreach to inform members and sponsors about changes to AHP.	<p>The Bank held a series of Community Product Member Video Conferences in lieu of in-person workshops, due to the COVID-19 pandemic. Each video conference provided a review of each product, as well as instructions on various aspects of the product application process and a question-and-answer period. The sessions were recorded and made readily accessible on the Bank's public website. To encourage more geographically diverse participation in the AHP program, additional sessions were conducted in Delaware and West Virginia.</p> <p>The Bank completed a focused outreach plan to educate members and developed on the new 2021 AHP scoring.</p> <p>Bank staff fielded 138 AHP technical assistance requests in 2021 that included debriefing 72 unsuccessful 2020 applicants and assistance provided to 66 project sponsors during the 2021 funding round.</p> <p>In addition, the Bank continued to offer its member/sponsor matching assistance service and had 21 requests for matching. Matches were made for eight of those requests.</p>	Provide technical assistance resources and educational opportunities to both members and community stakeholders.
c. Commit AHP funds	Commit all funds available and achieve 39 members using AHP. Implement changes to address new AHP policy and scoring.	<p>In 2021, \$22.8 million was committed to 35 eligible projects, resulting in 629 affordable homes created or preserved. In 2021, 37 different members participated in the AHP.</p> <p>Additionally, the AHP Implementation Plan was updated to address AHP policy and scoring.</p>	<p>Commit all funds available and achieve 37 members using AHP.</p> <p>Address significant affordable housing needs.</p>
d. Commit FFD funds	Commit all funds available and achieve 67 members using FFD.	<p>In 2021, nearly \$11.5 million in FFD down payment and closing costs assistance was committed to 2,301 eligible first-time homebuyers. Sixty-nine different members received a reservation of FFD funds on behalf of qualified buyers.</p> <p>In 2021, members were limited to committing 15% of the program's funds. If the round lasted more than four months, the member limit would be lifted and those members who hit that limit could continue to reserve funds. The members, however, self-regulated their submission activity and the limit was reached by only one member after the four-month timeframe had passed. The round lasted approximately 14.5 weeks.</p>	Commit all funds available and achieve 47 members using FFD.
e. Commit CLP funds to specific projects	Commit CLP to 50 specific projects. Achieve 34 members using CLP. The CLP goal was revised to the following*: Achieve 16 members using CLP.	<p>The Bank has committed \$58 million in CLP funding to 23 specific projects through Oct. 31, 2021.</p> <p>As of Oct. 31, 2021, 10 members used CLP year-to-date.</p> <p><i>* The 2021 CLP goal was revised in the fourth quarter of 2020 after the TCLP was finalized. Goals for regular advances and the Community Lending Program were both reduced after advance volume significantly dropped at the end of 2020.</i></p>	. Achieve 8 members using CLP.

Goal Title	2021 Goal	2021 Performance	2022 Goal
f. Commit BOB funds to eligible small businesses	Commit all funds available to eligible small businesses and achieve 27 members using BOB.	In 2021, the Bank has committed \$6.5 million to 23 members supporting 68 small businesses, resulting in 729 jobs created or retained.	Commit all funds available to eligible small businesses and achieve 23 members using BOB. Explore the possibility of creating a Special Purpose Credit Program.
g. Commit Home4Good funds	Commit all funds and achieve 90 members using Home4Good (as co-applicants).	In 2021, \$6.175 million is available for the Home4Good program. Of this amount, \$3.925 million comes from the Bank and the remaining \$2.25 million comes from the Housing Finance Agencies (HFA's) in DE, PA, and WV. As of Oct. 31, 2021, the application window is closed. 77 members were co-applicants. Funding awards will be approved at the November and December 2021 Board meetings.	Commit all funds and achieve 120 members or final usage for 2021 less mergers using Home4Good (as co-applicants).
2. Build strategic partnerships and address priority housing and community development needs			
a. Blueprint Communities®	Continue to support the efforts of the existing Blueprint Communities in Delaware, Pennsylvania and West Virginia.	Six West Virginia communities received over 30 hours of coaching/technical assistance from the West Virginia Community Development Hub, with a virtual group check-in event held in July 2021. Each community received approximately \$17,250 in capacity-building grants and \$5,000 in mini-grant funds to continue the momentum of their community development efforts. Partnered with the Pennsylvania Downtown Center to administer \$5,000 grants for five active Pennsylvania Blueprint Communities participating in the USDA Rural Placemaking Initiative to assist with the project implementation phase. Partnered with the University of Delaware to provide technical assistance and continue the administration of \$40,000 in capacity-building grants for two active Blueprint Communities.	Continue to support the efforts of the existing Blueprint Communities in Delaware, Pennsylvania and West Virginia.
b. Explore opportunities to address diversity and inclusion	Explore, as allowed by applicable regulation, opportunities to refine affordable housing and community products to enhance opportunities to support diverse persons and communities.	The Bank hired a consultant to develop an external-facing strategy that provides an action plan for the Bank to engage effectively with our members and the public on racial equity and inclusion issues in banking and financial services. Action plan items will be considered for implementation. Vetted the new AHP scoring category for projects located in low-income, minority areas with the Finance Agency, Consumer Financial Protection Bureau, Department of Housing & Urban Development and the three banking regulators. No concerns or issues that would change our direction were identified. Implemented the new AHP scoring category noted above. Completed an AHP outreach strategy for the 2021 funding round to reach organizations serving low-income, minority areas. Analyzed community product data to develop metrics for future product performance. Began research into creating a special purpose credit program under the Banking On Business product. Co-sponsored the Heirs' Property Funders Forum.	Explore and implement DEI initiatives. Implement a new or increase participation in a current DEI advancement initiative. Implement a new membership award that recognizes excellence in diversity, equity and inclusion. Establish performance metrics for the Bank's community investment products.
c. Enhance and build strategic partnerships with members and key non-bank stakeholders	Enhance and build strategic partnerships by enhancing and creating relationships with members, members regulators and other stakeholders.	For 2021, the Bank partnered with key community-related strategic partners (e.g., housing and community development funders and professional organizations, member regulators, etc.) via article placement, event sponsorship and participation and dissemination of Bank product information.	Build strategic partnerships by enhancing and creating relationships with members, and other stakeholders.

Goal Title	2021 Goal	2021 Performance	2022 Goal
d. Address priority needs	Conduct an updated housing needs assessment to guide policy and product-related decisions and increase the percentage of Bank funding for priority needs.	<p>Updated the Bank's AHP scoring to align with the needs identified in the HNA report. The 2021 funding round will be assessed to determine if the updated scoring helped achieve the housing priority needs.</p> <p>A one-time Board allocation of funding was approved in 2021. The additional funding will be made available in 2022 for in-district affordable housing development projects only.</p>	<p>Implement the Board's framework for awarding additional voluntary funding for affordable housing development to in-district projects.</p> <p>Address significant affordable housing needs.</p>

“Blueprint Communities” is a registered service mark of the Federal Home Loan Bank of Pittsburgh.