

2023 Targeted Community Lending Plan



Owner:

Housing and Community Investment

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PURPOSE

In accordance with the regulatory requirements of the Federal Housing Finance Agency (the “Finance Agency”), the Housing and Community Investment Department (“HCI”) has adopted this Targeted Community Lending Plan (the “Plan”) pursuant to the Community Support Regulation as well as Section 1291.13(a)(1) of the amended Affordable Housing Program Regulation.

SCOPE

This Plan covers areas in need of the provision of significant financial resources, including credit for community lending activities, and the assessment of the housing and economic development needs and market opportunities occurring within the Fifth District as outlined in 12 C.F.R. Part 1290.

ROLES & RESPONSIBILITIES

This Plan shall be periodically reviewed and updated by HCI and approved by the Board of Directors (the “Board”).

Interpretation and administration of this Plan is the responsibility of HCI. Specifically, HCI is responsible for maintaining this document, promoting the Federal Home Loan Bank of Cincinnati’s (the “FHLB’s”) HCI programs, reporting to the Finance Agency, and reviewing applications for HCI resources.

MARKET RESEARCH/ASSESSMENT

In 2022, the Federal Home Loan Bank of Cincinnati conducted research on housing and community investment needs through its Affordable Housing Program (AHP) workshops, during which FHLB surveyed the attendees for information about the most pressing needs in their areas. Similar to the responses FHLB received from AHP workshop attendees in 2021, the most overwhelming support went to additional resources for households at the lowest income brackets. The groups cited next-most often as having the most significant affordable housing needs included populations in rural communities, the working poor, seniors, the homeless, homeowners in need of repair/foreclosure mitigation, and families. Notably, no AHP attendees selected Native Americans as having a significant need in their area. FHLB continues to rely on these and other types of engagements with its affordable housing and community development partners (i.e., Sponsors) and its member financial institutions (i.e., Members) to ascertain needs within the Fifth District.

As always, the FHLB engaged in significant discussions with its AHAC and the committees thereof in 2022 during quarterly meetings between the FHLB and the AHAC, as well as meetings



between FHLB employees and the AHAC’s committees.¹ Discussions with the AHAC also led to the conclusion that Native Americans are not a priority for developers in the Fifth District, which is supported by the fact that the U.S. Department of the Interior’s Bureau of Indian Affairs does not recognize any American Indian Reservations within the states of the Fifth District.

FHLB also looked to the most recent housing needs assessments published by the state housing finance agencies of the Fifth District for information on pressing housing needs. The Kentucky Housing Corporation’s (“KHC’s”) Consolidated Plan remains unchanged since 2020 and affirms what FHLB has consistently seen in that, “Overarching housing needs that remain constant over time are [for] persons with special needs, . . . households in the lowest income categories, . . . and there remains a severe shortage of affordable, decent housing.” As a result, KHC seeks to create new affordable housing, incentivize partnerships with agencies that will provide services to households with special needs, and improve the existing housing stock, particularly because the utility and upkeep expenses for the latter create additional affordability issues for tenants and owners.

The Ohio Housing Finance Agency (“OHFA”) produced five housing needs assessments in 2022, one for each region of the state. These echoed the AHP workshop attendees’ concerns about the lack of affordable housing supply for very low-income households looking to buy or rent homes, noting that only 44 affordable rental units exist in the state for every 100 extremely low-income renters and that this group is essentially priced out of most home purchase opportunities in all regions except Southeast Ohio, where homes are affordable but jobs are not plentiful. Increasingly low vacancy rates in existing housing are contributing to the problem, as is housing stock growth has not kept up with demand. OHFA identified two segments of the population who are disproportionately likely to experience housing cost burden: minority households and those facing eviction, the latter of whom “may need to pay steep unexpected costs to acquire a new home.” OHFA also emphasized the impact the troubles in the housing stock is having on children, who are at risk of lead-based paint hazards in older homes and are at risk of homelessness when families lack access to affordable housing.

The housing needs assessment in the 2020-2024 State of Tennessee Consolidated Plan identifies seniors; persons with physical, developmental, and mental health disabilities; victims of domestic violence; youth aging out of foster care; ex-offenders reentering society; veterans; and persons living with HIV/AIDS as the most at-risk populations in the state for experiencing housing cost burden. That document cites supportive services as critical for these populations to remain safe, independent, healthy, and stable, and also indicates a need for public services such as housing counseling, job training, fair housing education and outreach, and infrastructure improvements in low- and moderate-income communities. Like Ohio and Kentucky, Tennessee identified a number of households with severe cost burden, as well as many experiencing overcrowding and/or a lack of complete kitchen or plumbing facilities.

Finally, FHLB looked to some publications addressing housing on a national level to assess market needs. Harvard University’s (“Harvard’s”) Joint Center for Housing Studies produced

¹ Economic Development, Ownership, Rental, and Special Needs Committees



“The State of the Nation’s Housing 2022,” which takes the view that rising interest rates and new construction starts will provide much-needed relief to the rates of rising costs that have recently plagued the housing market, though it does not see much benefit from this reaching the low-income population or households of color, as homeownership opportunities for these populations remain out of reach, and the vacancy rates of both single-family and rental units remaining at all-time lows add to the lack of opportunity. That study also suggests that the nation’s housing stock is in need of much accessibility upgrade and climate-change readiness preparation.

The National Low Income Housing Coalition’s (“NLIHC”) publication entitled “Out of Reach 2021” pointed out that the pandemic will leave particularly unsettling lingering effects for those with low incomes, as many have accumulated more debt and a rent backlog as a result of the job loss experienced during the economic shutdown that impacted low-wage workers far more than households on the higher end of the earning spectrum. Like Harvard, NLIHC proffered that economic recovery will reach households of color more slowly and pointed out that the average rental home was unaffordable to the average wage earner even before the pandemic struck, a problem that is only growing worse with recent rent and inflation increases. NLIHC recommends additional funds for housing vouchers, capital repairs, and national housing grant funds for building housing and preventing evictions to overcome these barriers. As a result of the aforementioned, the FHLB has made the following determinations with regards to affordable housing and community development needs in the Fifth District in 2023:

1. There is an increasing need for the subsidy offered via the FHLB’s Housing and Community Investment Programs (“HCI Programs”), particularly for development of affordable housing for low- and extremely low-income households and vulnerable populations such as those with special needs, elderly households, homeless individuals and households, and Veterans (especially disabled Veterans);
2. There is also an increasing demand for supportive services for the aforementioned vulnerable populations (note: this is not an eligible use of subsidy under any of the FHLB’s HCI Programs);
3. There is continued demand for funds for owner-occupied rehabilitation and preservation of existing affordable rental housing;
4. Economic development continues to be an area of import as evidenced by the U.S. Treasury’s designation of approximately 12 percent of all census tracts (~8,700 census tracts) as Opportunity Zones;²
5. There is a need for general liquidity and capacity building by organizations such as Community Development Financial Institutions (“CDFIs”), Community Housing Development Organizations and smaller (as defined by asset-size and number of employees), non-profit affordable housing providers and community development enterprises;

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<https://opportunityzones.hud.gov/#:~:text=There%20are%208%2C764%20Opportunity%20Zones,lack%20of%20investment%20for%20decades.>

6. There is a significant need for programs and subsidy to target mobile home replacement, a need which may be met through replacement with manufactured, modular, and site-built housing; and,
7. There may be a need in the near future for the FHLB to modify its programs to address disparities in housing cost burden for minority households.

See the section titled “*Summary of Identified Needs*” below for a more exhaustive list of specific needs.

SUMMARY OF IDENTIFIED NEEDS

The FHLB has identified credit needs and market opportunities in economic development lending in three sectors: real estate financing needs, business financing needs, and specialized financing needs. The following summarizes the needs in each area and includes in parentheses the program or programs FHLB uses to support solutions to these needs, if any:

Real Estate Financing Needs

1. Fixed rate financing at low-interest or guaranteed rates for construction and permanent financing (regular FHLB advances, CIP, EDP, ZIF);
2. Infrastructure improvements and neighborhood revitalization (ZIF, DRP);
3. Pre-development funding sources for commercial and mixed-use real estate development (ZIF);
4. Childcare/daycare facilities, freestanding and within affordable housing developments (CIP, EDP, ZIF);
5. Real estate financing for newly constructed, affordable owner-occupied and rental housing development, as well as the preservation of existing affordable units (AHP, WHP, CIP, EDP, ZIF, CMPHF, DRP);
6. Funds for rehabilitation of existing housing, especially for special needs and elderly households (AHP, ZIF, CMPHF, DRP);
7. Subsidy for projects providing supportive services and serving special needs and homeless households (AHP, ZIF, CMPHF, DRP);
8. Rural medical and health facilities financing (CIP, EDP, ZIF);
9. Transitional housing for persons leaving rehabilitation or other protected environments to assist in reintegrating into society (AHP, ZIF, CIP);
10. Funds to bring vacant properties back into occupancy, especially those vacant because of foreclosure (AHP, ZIF, DRP, CIP);
11. Financing for affordable family housing in quality school districts (AHP, WHP, CIP, ZIF, CMPHF, DRP);

12. Funding to increase the supply of homes at entry-level price points (AHP, ZIF, DRP);
13. Housing for extremely low-income populations (AHP, ZIF, CMPHF, DRP);
14. Housing in urban areas (AHP, WHP, CIP, ZIF, CMPHF, DRP);
15. Housing for families (AHP, WHP, CIP, ZIF, CMPHF, DRP);
16. Assistance with rising costs of construction materials and labor (AHP, CIP, CMPHF);
and,
17. Workforce housing (AHP, ZIF, CMPHF, DRP, CIP).

Business Financing Needs

1. Equity investments (venture capital, liquidity, micro-loans) for business startup and expansion, especially in rural and Appalachian communities (Not Currently Addressed);
2. Loan guarantee programs and lender consortia (FHLB letters of credit);
3. Pre-development funding sources for small business development and expansion purposes (ZIF);
4. Disadvantaged business development financing, i.e., additional credit resources to provide capital for minority, women-owned, and disadvantaged business formation (Not Currently Addressed);
5. Working capital, especially revolving credit from \$500 to \$250,000 for micro and small businesses (ZIF);
6. Alternative crop financing (CIP, EDP, ZIF); and,
7. Expansion of CDFI loan funds (Not Currently Addressed).

Specialized Needs

1. Small business and entrepreneurial technical assistance support, i.e., business planning, financial management assistance, business development assistance and marketing, entrepreneurial assessment (FHLB conferences and trainings);
2. Education and technical assistance to members, community financial intermediaries and public and private economic development partnerships and organizations (FHLB conferences and trainings);
3. Mortgage credit and down payment assistance in support of minority homeownership (AHP, WHP);³
4. Produce equity buildup for business formation and expansion for minority-owned businesses (Not Currently Addressed);

³ Additionally, the FHLB is a member of CONVERGENCE Memphis and CONVERGENCE Columbus, which are initiatives in each of those cities to increase the African American homeownership rate.



5. Seed capital for non-profit organizations with a community development or community service focus (ZIF);
6. Funds for infrastructure needs, such as water and sewer lines (ZIF);
7. Funds for mobile home replacement (Future);⁴
8. Funds for down payment and closing costs assistance for a targeted population, such as honorably discharged veterans and active duty military personnel (WHP);
9. Funds for housing of transitional age youth (AHP);
10. Strategies to revitalize communities within high crime ZIP codes (Not Currently Addressed); and,
11. Foreclosure mitigation and counseling (Not Currently Addressed).

In response to the needs identified above, the FHLB will continue to provide financing for its affordable housing and economic development programs.

2023 HCI PROGRAMS

In 2023, the FHLB will continue to offer the following HCI programs:

Community Investment Program and Economic Development Program

Both the CIP and EDP provide discounted Advances to encourage Members to increase their involvement in housing and economic development projects. In addition to discounted Advances, discounted Letters of Credit (“LOCs”) are also available under both programs.

Zero Interest Fund

The FHLB continues to offer the ZIF, a two million dollar revolving loan fund, which provides zero-interest, short-term loans of up to \$100,000 per project to cover upfront infrastructure costs on residential and economic development projects.

Affordable Housing Program

The AHP is our largest and most impactful initiative with nearly \$830 million awarded to more than 103,000 units of affordable housing.⁵ AHP offers grants to assist with the funding of new construction, acquisition, rehabilitation, or a combination thereof of ownership and rental housing serving very low-, low- and moderate-income households. FHLB offers webinars and workshops, attends outreach events, and participates in panel discussions to promote this program.

⁴ “Mobile Home” refers to a residential structure manufactured prior to the enactment of the Federal Manufactured Housing and Construction Standards, also known as the HUD Code, on June 15, 1976.

⁵ Figures are as of June 30, 2022, and include both the AHP and the Welcome Home Program.



Welcome Home Program

The WHP offers grants up to \$7,500 to fund reasonable down payments and closing costs incurred in conjunction with the acquisition or construction of owner-occupied housing by low- and moderate-income homebuyers. It continues to be our most popular program based on Member usage. Webinars covering the program will be offered again in 2023.

Carol M. Peterson Housing Fund

The CMPHF provides grants up to \$7,500 per homeowner to fund accessibility and emergency repairs for low- and moderate-income homeowners with special needs or who are elderly. This voluntary program is so popular that funds are typically fully requested in less than one day. FHLB will continue to promote this program via a webinar.

Disaster Reconstruction Program

The DRP offers grants of up to \$20,000 to homeowners and renters in disaster declared areas to assist with the purchase, construction, or repair of primary residences. The program will continue to be promoted via a webinar and the FHLB website.

NON-LENDING ACTIVITIES

Technical Assistance

The FHLB will continue to provide ongoing funding resources, information, and technical assistance to Members and their partners in support of economic development and community lending activities. The technical assistance may include project structuring and developing relationships between resource representatives and Members.

Education and Training

The FHLB will continue to provide or participate in a variety of educational and training opportunities for Members and Sponsors involved in community lending. The training will be in the form of informational seminars, webinars, conferences, and other meetings co-sponsored with partnership organizations and others. In 2021, the FHLB offered numerous training opportunities despite limitations on in-person gatherings required by the COVID-19 pandemic.

Research

The FHLB will continue to stay abreast of ongoing research to assess unmet credit needs and market opportunities occurring throughout the Fifth District. The FHLB accomplishes this primarily through publicly available market information, such as the state housing finance agencies' Housing Needs Assessments, attendance at industry events, informational exchanges with other Federal Home Loan Banks and, of course, engagement with its AHAC. The FHLB will also continue to assess the performance of each of its HCI programs.

Information Dissemination



The FHLB will continue to utilize its website, www.fhlbcin.com, webinars and workshops to inform Members, community organizations, small businesses, and entrepreneurs about pre-development and financing resources, business development opportunities, and other technical assistance resources available through the FHLB. The FHLB will communicate information in FHLB publications about successful programs and projects to encourage participation by Members and partners in economic development activities.

PERFORMANCE GOALS

The CICA regulation requires the FHLB to develop annual performance goals and measurable achievement standards. The following is a summary of the 2023 goals and performance as of June 30, 2022:

<u>Description</u>	<u>2022 Goal</u>	<u>2022 Progress</u>	<u>2023 Goals</u>
Number of CICA Applications <i>(Definition: Number of CIP and EDP Applications submitted to the Bank)</i>	10	16	20
Number of distinct Members utilizing CICA or ZIF <i>(Definition: Number of distinct Members that submit a CIP, EDP, or ZIF application)</i>	5	2	5
Number of HCI Outreach Events <i>(Definition: Number of meetings in which educational material on one or more of the FHLB's HCI programs are presented. This goal excludes individual FHLB visits to an organization or individual. Examples include AHP workshops, CICA roundtables, public forums/panels, etc.)</i>	40	10	40