

2023 Targeted Community Lending Plan



Executive Summary

The Federal Home Loan Bank of Pittsburgh (Bank) is pleased to provide its 2023 Targeted Community Lending Plan (Plan). The Plan is an outline of the Bank's proposed activities for 2023 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 2023 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 2023 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.

The Bank believes the findings in the HNA report are still relevant to the current needs in our District. 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 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 added two additional resources for our members to better serve their communities. The Bank is making available an additional \$10.2 million to support affordable housing projects in the Bank's District. As we look to emerge from the pandemic, the Bank is providing this additional voluntary funding to help people in our District who need affordable homes as they reset and recover. This voluntary grant is separate and distinct from (and is not a part of) the statutory AHP.

Additionally, new for 2022, the Bank has established a \$2 million Special Purpose Credit Program (SPCP) to support minority- and women-owned small businesses. The SPCP was established under the Bank's long-standing BOB product. The SPCP is named the Banking On Business Inclusion and Equity fund (BOBIE). BOBIE is intended to meet the needs of underrepresented small businesses by offering more flexible terms than are otherwise available under BOB.

In 2023, 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.

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. The findings in the HNA report are still applicable in 2023. 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, Fannie and Freddie Housing Trust Fund, the Capital Magnet Fund, and their overlap with the Bank's community products. While additional federal funding was provided in 2021, there has not been new funding in 2022. Some states, like Pennsylvania, have redirected their American Rescue Plan funds to increase the affordable housing supply. However, even with additional funding in recent years, the housing needs persist and, in some areas, have worsened.

From an economic development perspective, research indicates that minority- and women-owned businesses have face barriers to access capital due to lack of equity or collateral, lower credit scores or length of credit histories. These disparities, largely due to generational income and wealth gaps, make it difficult for minority- and women-owned businesses to start and maintain a business.

The market research completed by the Bank will help shape and develop the Bank's 2023 Community Lending and Affordable Housing goals. Continued member engagement will be key to implementing these goals.

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

The Strategic Plan includes key strategic implications and strategic responses included below.

Key Strategic Implications

There are several issues shaping the market for our community products that were identified in our HNA:

- The most acute needs are people who are homeless or at-risk of homelessness, extremely low-income households, and persons with disabilities.
- Significant disparities in housing challenges and homeownership rates exist for Black and Latino households versus White households.
- The pandemic's impact continues particularly among lower-wage workers, poorer communities, and Black and Latino households; increasing housing insecurity and socioeconomic issues.
- Federal stimulus funding and policies for housing and community support are filling some gaps.
- Rising costs and supply issues are delaying affordable housing development projects and creating funding gaps.

Strategic Responses

- Optimize community products in a dynamic market environment (stimulus funding and pandemic-related cost increases).
- Engaging members in diversity, equity, and inclusion (DEI) initiatives.
- Continuing to offer basic voluntary products - BOB, Blueprint Communities and Home4Good.
- Focus will be on the following priorities:
 - Expanding member engagement in using the Bank's community products.
 - Providing member education on community-related topics, including DEI initiatives and Community Reinvestment Act reform.
 - Achieving product-related outcomes addressing the market issues.
 - Enhancing product execution and understanding of market needs.

- Exploring opportunities related to a new Blueprint Communities cohort, DEI, and climate resiliency and sustainability.

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 AHP General Fund.

In 2022, in addition to the required quarterly meetings with the Bank's Board and management, the Council created task forces for AHP and DEI. The task forces met for additional sessions to assess the AHP scoring and to provide input on the DEI-related community initiatives.

Engagement of Strategic Partners, Members, Housing Associates and Public/Private Economic Development Organizations

The Bank engages strategic partners to enhance and sustain external partnerships that result in direct and indirect business opportunities for the Bank and our members. 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.

2022 engagement activities include:

- Partnered with the Allegheny County Housing Authority for a roundtable with members on increasing homeownership
- Delaware State Housing Authority, Housing Alliance of Delaware, Housing Alliance of Pennsylvania, Philadelphia Association of Community Development Corporation (PACDC), Philadelphia Association of Community Development Corporations, Pennsylvania Association of Housing and Redevelopment Authorities, and West Virginia Housing Development Fund all pushed AHP round information to their constituents to encourage new and diverse developers to apply
- Published an article, *A Partnership Supporting Homeless Services in Delaware* featuring Home4Good with Delaware Bankers Association

- Presented community investment products to the West Virginia Young Presidents Organization
- Attended West Virginia FAHE Caucus and PA Developers Council meetings to present voluntary housing grant initiative
- Attended the Pennsylvania Association of Housing and Redevelopment Authorities conference to promote AHP
- Presented AHP, BOB, BOBIE and/or voluntary housing grant to the National Council on Agricultural Life and Labor Research Fund, Inc., Delaware Developers Council, PHFA Housing Forum conference, Pittsburgh Urban Redevelopment Authority, Federal Deposit Insurance Company's webinar "Inclusive Small Business Supports in Southwestern PA", Delaware Banker's Association, and Pennsylvania Downtown Center Main Street Conference
- Meetings with Federal Reserve Bank of Philadelphia to discuss future partnership opportunities and upcoming changes to Community Reinvestment Act

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, the Bank 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 percent), 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.

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.

Federal and State Recognized Tribes

According to the US census from 2010, there are 5.2 million people that identify as American Indian or Alaska Native, with 2.9 million identified as solely American Indian and Alaska Native. The Bank contacted the Native American Studies Program Coordinator at West Virginia University who confirmed there are no federally recognized tribes in the Bank's District. There are two state recognized tribes in Delaware, and no state recognized tribes in Pennsylvania or West Virginia.

For the two tribes in Delaware, the census data captured in the American Community Survey five-year estimate data is outlined the below:

State	Tribe	Total population	Median Household Income	Percent of Families below the Poverty Level
DE	Lenape Indian Tribe of Delaware	782	\$48,862	3.58%
DE	Nanticoke Indian Tribe	10,208	\$73,858	5.1%

The total population in the state of Delaware is 967,679 as of the 2020 census, therefore individuals that identify as American Indian or Alaska Native account for 1.1 percent of the state’s population. Delaware’s state median income is \$96,900.

The Lenape Indian Tribe of Delaware is in northern Kent County. The Nanticoke Indian Tribe are mostly located in Sussex County but does have representation in southern Kent County as well.

The Department of Housing and Urban Development (HUD) completed an Assessment of American Indian and Alaska Native Housing Needs. HUD’s report noted the following:

The research finds that housing conditions for Native American households are substantially worse than for other U.S. households. More Native Americans live in housing that is overcrowded, lacks complete kitchens and bathrooms, has heating and electrical problems, or is structurally unsound than do their fellow citizens.

Overcrowding affected 16 percent of American Indian and Alaska Native households in tribal areas and 10 percent in urban areas compared with two percent of all U.S. households. The problem of overcrowding overlaps with the doubling-up phenomenon; 17 percent of households in Indian country had one or more people staying with them only because they had nowhere else to go.

Among American Indian and Alaska Native households in tribal areas, incomplete plumbing and incomplete kitchens were found in six percent and seven percent of homes, respectively, compared with less than two percent of all U.S. households.

The research team estimates that 68,000 additional units would be needed to both replace severely inadequate units and eliminate overcrowding in tribal areas.

The Bank has engaged with various Delaware housing developers and Delaware umbrella organizations that service both Kent and Sussex counties. The Bank reached out to the Nanticoke Indian Tribe Delaware and Nanticoke Indian Center to ascertain their housing needs. As we continue to engage with developers, organizations, and representatives of the tribes, we will build our understanding of the needs of the Native American people and make the appropriate connection to our community products.

Credit Needs, Significant Affordable Housing Needs and Market Opportunities

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

The Bank's research identified that minority- and women-owned businesses do not have equitable access to capital.

Minority- and women-owned businesses are less likely to seek financing from traditional financial institutions, and Black and Hispanic borrowers are more likely to pay higher interest rates on loans. According to a 2021 report by the Federal Reserve Banks (based on a 2020 survey sampling of firms with fewer than 500 employees), 48 percent of Black-owned firms expect credit availability will be a challenge as a result of the pandemic, compared to 40 percent of Hispanic-owned firms, 38 percent of Asian-owned firms, and 30 percent of white-owned firms.

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 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.

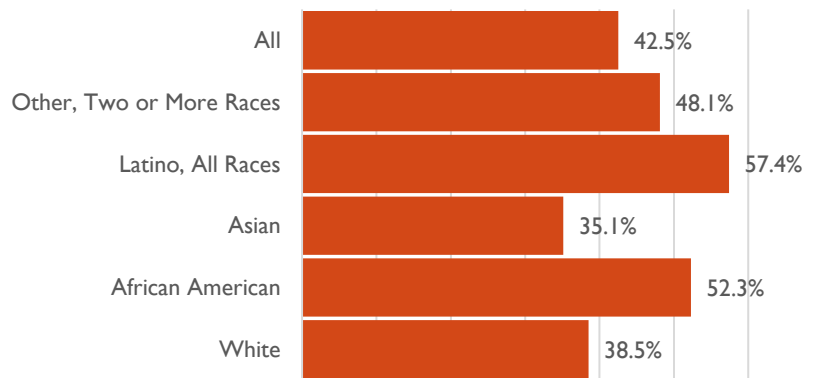
The Bank established the following priorities based on the HNA report, research and national trends which remain valid in 2023:

- 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:

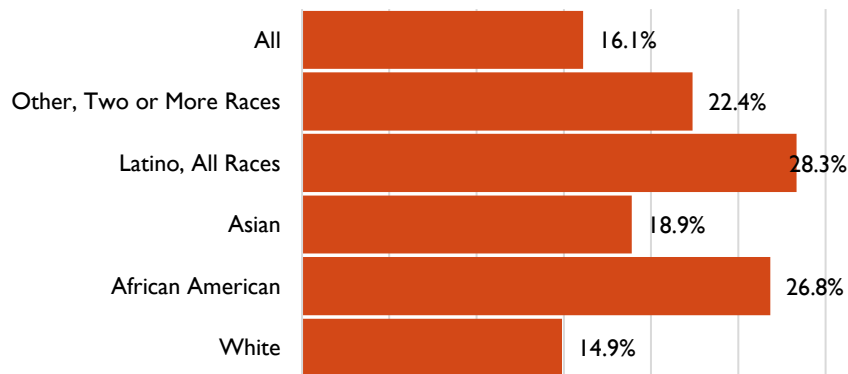
- More than half of low-income Black and Latino renters experience housing challenges, at 52.3% and 57.4%, respectively. This is substantially higher than white (38.5%) or Asian (35.1%) renters.
- Low-income homeowners, in general, are less likely to experience housing challenges than low-income renters. 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. West Virginia prioritizes lead abatement programs and post-flooding disaster recovery, while Delaware prioritizes rehabilitation of existing homes over new construction. In Pennsylvania, rehabilitation of existing homes, coupled with home counseling and neighborhood investment, has proven successful in revitalizing neighborhoods, to the point where housing prices in certain neighborhoods have increased enough to price out longstanding residents. This underscores the importance of owner-occupied rehabilitation within the Bank's district.

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.

Climate Resiliency

The Bank recognizes that weather events and natural disasters have increasingly impacted our member’s communities, residents that reside in these communities as well as operations of the projects and programs the Bank supports.

Historically, the Bank has provided disaster relief funding for flooding events throughout the district. Most recently, in 2016, in southern West Virginia, the Bank provided financial support after devastating flooding that took over 20 lives. The Bank also had scoring priorities under the AHP tied to operating efficiency for affordable housing development projects as well as additional points for projects located within a major disaster area as declared by the Federal Emergency Management Agency.

To accommodate individuals impacted by recent natural disasters, the Bank has informed its AHP projects that they may temporarily allow vacant rental units to be leased to individuals/households, regardless of their income, who were displaced by certain recent disasters.

As a result of the continuing and increasing severity of weather-related events, the Bank will continue to assess its climate risk exposure under AHP. In addition, the FHLBanks have agreed to work collaboratively to assess opportunities to address climate-related prevention, resilience, and recovery under the community investment products.

Rising Construction Costs

The ongoing pandemic has resulted in unprecedented cost increases affecting affordable housing development. The rising costs are due to sharp increases in recent years in the costs of labor, materials, and borrowing. For developments with AHP awards, the rising costs are creating larger gaps and delaying established timelines.

In March 2022, the National Association of Home Builders indicated that building material costs have increased up to 20.3 percent compared to the prior year.

A recent study on affordable housing costs was commissioned by the National Council of State Housing Agencies, which noted an average 30 percent cost increase in projects using Low Income Housing Tax Credits (LIHTCs) since the pandemic started. The study included 11 housing finance agencies (HFAs), including PA. The study indicates that nearly all deals that were awarded LIHTCs from 2019 to the present have faced significant, unexpected cost increases after being awarded credits. As a result, many—if not most—projects have had to seek additional credits, soft funding, or other resources from HFAs and other sources to close unexpected funding gaps. The funding gaps and other factors are also causing delays in project closings and completion.

The Bank will monitor the market trends related to development costs. Recent interest rate increases are likely to exacerbate this trend. The Bank will continue work with developers with AHP awards as they work toward project completion.

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 required and voluntary community products:

Required

- 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) – is a set-aside of AHP where members apply for up to \$5,000 toward closing costs and down payment assistance for first-time homebuyers earning 80 percent or less of the area median income.
- Community Lending Program (CLP) – offers discounted advances to members with qualified community lending activity.

Voluntary

- 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 annually 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.
 - Banking On Business Inclusion and Equity (BOBIE) fund was launched in 2022 as a Special Purpose Credit Program supporting minority- and women-owned small businesses. BOBIE is a set-aside of BOB.
- 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.
- Voluntary Housing Grant (VHG) - for 2022 only, the Bank made available an additional \$10.2 million to support affordable housing projects in Delaware, Pennsylvania,

and West Virginia. As we emerge from the pandemic, Pittsburgh is providing this additional funding to help people who need affordable homes as they reset and recover. This offering is separate and distinct from (and is not a part of) AHP.

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.

Actions taken by the Bank in 2022:

- Continued existing products with no disruption.
- Launched the VHG.
- Advanced DEI initiatives as follows:
 - Continued AHP scoring category for projects located in low-income, minority areas with additional points for creating new homeownership opportunities in low-income minority areas.
 - Analyzed community product data to develop metrics for future product performance.
 - Implemented BOBIE.
 - Created a DEI membership award to recognize members efforts for DE&I initiatives in their communities.
- Conducted outreach, technical assistance, educational sessions, and presentations both in person and virtually

Based on credit needs and market opportunities, in 2023, the Bank will:

- Continue to offer our suite of community products, including AHP and FFD.
- 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).
- Engaging members in DEI initiatives.
- Continuing to offer basic voluntary products – BOB and BOBIE, Blueprint Communities and Home4Good.
- Consider offering VHG.
- Focus will be on the following priorities:
 - Expanding member engagement in using the Bank's community products.
 - Providing member education on community-related topics, including DEI initiatives and Community Reinvestment Act reform.
 - Achieving product-related outcomes addressing the market issues.
 - Enhancing product execution and understanding of market needs.
 - Exploring opportunities related to a new Blueprint Communities cohort, DEI, and climate resiliency, and sustainability.

- 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.

Addressing Significant Affordable Housing Needs through AHP

In 2023, the Bank will address the significant affordable housing needs and meet the statutory and regulatory requirements under AHP by:

- Optimizing our community products in 2023 in a dynamic market environment (stimulus funding and pandemic-related cost increases).
- Allocating a portion of the AHP subsidy to FFD, a 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 the Plan, including:
 - 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.
- The Bank, in consultation with the Council, has developed a series of metrics that measure outcomes of the AHP awards. The combined awards under the AHP and VHG, results in all metrics being within the target range except for one, which is summarized below:
 - In the 2021-22 rounds, 43 percent of awarded subsidy supported preservation projects, which is below the target outcome of 51 percent. The Bank is proposing adjustments to its 2023 AHP scoring to address this outcome.
- Continue to assess the needs of affordable housing in Delaware, Pennsylvania, and West Virginia.

The Bank will not establish a Targeted Fund in 2023. The Bank will include the 2023 scoring in the updated 2023 Implementation Plan once approved by the Board of Directors at the end of December 2022.

2023 AHP Scoring	Housing Needs Assessment (HNA) findings supporting the 2023 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.

<u>Creating economic opportunity</u> <ul style="list-style-type: none"> • Promotion of empowerment • Residential economic diversity – housing in areas of opportunity, which are middle to higher income areas 	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.
<u>Community stability</u> <ul style="list-style-type: none"> • Community planning • Rehabilitation of existing properties • Owner-occupied rehabilitation • Historic property rehabilitation • Preservation of existing subsidized housing • Sustained affordability 	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

	<p>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. Development models and structures that extend affordability periods help maintain and sustain the supply of affordable units in the market.</p>
<p><u>Bank District priorities</u></p> <ul style="list-style-type: none"> • Projects serving low-income minority areas • Homeownership in low-income minority areas • Projects in the Bank’s District 	<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.</p>

Community Lending and Affordable Housing 2022 Performance and 2023 Goals

Goal Title	2022 Goal	2022 Performance As of Oct. 31, 2022	2023 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 products	Increase member uses of community investment products: <ul style="list-style-type: none"> •Threshold: 242 •Target: 254 •Maximum: 271 	As of Oct. 31, 2021, there has been 279 member uses of Community products, exceeding the goal.	Increase member use to 310.
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 and the availability of the voluntary housing grant initiative.	The Bank provided a series of presentations at webinars, conferences, meetings to review community products. Bank staff fielded 64 AHP technical assistance requests in 2022 that included debriefing unsuccessful 2021 applicants seeking to resubmit for the 2022 funding round. In addition, the Bank continued to offer its AHP member/sponsor matching assistance service, receiving 37 requests and made 22 successful matches.	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 and the availability of the voluntary housing grant initiative.
c. Commit AHP funds	Commit all funds available and achieve 39 members using AHP. Implement changes to address new AHP policy and scoring.	In 2022, the Bank will commit approximately \$8.9 million in AHP funding to be awarded in December 2022. 47 members participated in the 2022 AHP funding round, exceeding the goal target. Changes to AHP scoring were implemented.	Commit all funds available and achieve 47 members using AHP.
d. Commit voluntary housing grant initiative funds	Implement the additional funding available through the voluntary housing grant initiative for affordable housing projects within the Bank's district.	The Bank has made \$10.2 million available in voluntary housing grant funding for in-district affordable housing projects. Awards will be made in December 2022.	Contingent on approval by the Bank's Board of Directors – if offered in 2023, implement the voluntary housing grant initiative for affordable housing projects within the Bank's district.
e. Commit FFD funds	Commit all funds available and achieve 50 members using FFD.	In 2022, nearly \$6.5 million in FFD down payment and closing cost assistance was committed to 1,291 eligible first-time homebuyers. Sixty-four different members received a reservation of FFD funds on behalf of qualified buyers, exceeding the goal.	Commit all funds available and achieve 67 members using FFD.
f. Commit CLP funds to specific projects	Achieve nine members using CLP.	As of Oct. 31, 2022, 11 members have received a CLP commitment, exceeding the goal.	Achieve 30 members using CLP.

Goal Title	2022 Goal	2022 Performance As of October 31, 2022	2023 Goal
g. Commit BOB funds to eligible small businesses	Commit all funds available to eligible small businesses and achieve 22 members using BOB.	In 2022, the Bank has allocated \$4 million to BOB, and \$2 million, to Banking On Business Inclusion and Equity Fund (BOBIE) fund, the Bank's Special Purpose Credit Program, to support minority-owned and women-owned small businesses. 21 members participated in BOB/BOBIE, which was one short of the goal.	Commit all funds available to eligible small businesses, continue BOBIE and achieve 26 members using BOB/BOBIE.
h. Commit Home4Good funds	Commit all funds and achieve 133 members using Home4Good (as co-applicants).	In 2022, the Bank and our three Housing Finance Agency (HFA) partners committed \$3.525 million under Home4Good. The Bank contributed \$1.5 million and the HFAs contributed \$2.025 million. All funds were committed in November, and 136 members participated, exceeding the goal.	Commit all funds and achieve 136 members 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.	The Bank continued to partner with the West Virginia Community Development Hub to oversee the initiative and administer mini- and capacity-building grants, which were provided to West Virginia's six participating communities.	Continue to support the efforts of the existing Blueprint Communities in Delaware, Pennsylvania, and West Virginia. Initiate planning for the launch of a new Pennsylvania cohort in 2024.
b. Explore opportunities to address diversity and inclusion	Implement initiatives and policy changes that advance diversity, equity and inclusion and are aligned with the Bank's Diversity and Inclusion strategic plan.	In 2022, the Bank completed several actions: <ol style="list-style-type: none"> 1. Launched BOBIE – awarding over \$2 million to 29 women- or minority-owned small businesses. 2. Created a DEI Membership Award – selected an award winner, which will be announced soon, from 15 nominations made by 13 members. 3. On Nov. 16, as part of a member education series, presented via webinar: <i>A View into FHLBank Pittsburgh's Diversity, Equity, and Inclusion Journey</i>. 4. Continued the AHP scoring category for projects located in low-income, minority areas and for projects creating homeownership opportunities in low-income, minority areas. 5. Analyzed the Bank's community product data to develop metrics to measure future product performance. 	Continue current DEI initiatives and complete planning for a new initiative or product that advances DEI.
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.	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.	Enhance and build strategic partnerships by enhancing and creating relationships with members, members regulators and other stakeholders.
d. Address priority needs	Implement the voluntary housing grant funding	Implemented a voluntary grant. The additional funding was made available for in-district affordable housing development projects. Awards will be announced in December 2022.	Address priority needs via the AHP scoring, including a point increase for preservation projects, and through other community products.

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