FHLBank System at 100: Focusing on the Future Roundtable Discussion – Detroit, MI - 03-01-2023

Please note that this transcript reflects corrections to inaccuracies in the real time closed captioning in the roundtable video

Joshua Stallings: Welcome. My name is Joshua Stallings, the Deputy Director of FHFA's Division of Bank Regulation. I am joined today by Amy Bogdon, an associate director at the FHFA. Let me extend a warm welcome to our round table participants and to all of you watching along and enlisting mode on the live stream. Our discussion today will focus on the Federal Home Bank's products and services and how well they meet the needs of their members and the communities they serve. For the benefit of those joining us for the first time, today's round table is part of the Federal Home Loan Bank system at 100, focusing on the future initiative, more information including the video recording and transcripts of past round tables, as well as information on upcoming listening sessions can be found on our website. I would encourage all to visit the website to learn more. We look forward to the discussion today and the feedback we will receive as we continue this initiative. Let me turn it over to Amy who will review the rules of engagement. Amy.

Amy Bogdon: Thank you Joshua. I am Amy Bogdon. I will be helping moderate the discussion today. We expect and hope that we will have an open and engaging discussion. No recommendation or view should be considered to be off the table, so we want to hear a wide range of things and we encourage you to offer differing views about some of the important questions that we will be we will be covering today. We also want this to be orderly and as such we ask that everyone turn their name placard to the side to indicate when you have something you'd like to say. We will try to call on people in turn and we ask that you engage knowing that you will not necessarily agree on all points, but in a respectful manner and ensure that everyone has a chance to speak and that we keep every discussion topic.

Amy Bogdon: If someone is going long, we may interject from time to time to keep the conversation moving. Second, the review is meant to bring forward views and reason perspectives of Federal Home Loan Bank stakeholders and highlight areas for further consideration. So again, as I said, don't limit your responses to what would be possible under current conditions so there could be changes. Third, we will have a break about halfway through today's event. And finally, for the benefit of those in the audience, the round table participants have been given a set of prompts that we will reference during the course of this afternoon's discussion.

Amy Bogdon: We also have a disclaimer that we need to make you aware of and which I will read verbatim. We have organized this round table to obtain your input on the mission of the Federal Home Loan Banks, including input on several specific questions that were sent to you prior to the meeting. During today's session, FHFA will not discuss the status or timing of any potential rulemaking. If FHFA does decide to engage in a rulemaking on any matters discussed today, this meeting would not take the place of a public comment process. The rulemaking document would establish the public comment process and you would need to submit your comments if any, in accordance with the submission instructions in that document.

Amy Bogdon: FHFA may summarize the feedback gathered at today's session in a future rulemaking document. If we determine that a summary would be useful to explain the basis of the rulemaking. Anything said in this meeting and that also includes reactions, nodding, even eye rolling should not be construed as binding on or a final decision by the director of FHFA or FHFA staff. Any questions we may have, are focused on understanding your views and do not indicate a policy or legal position. Participants in today's round table may have a financial interest, whether direct or indirect on outcomes that may affect the federal home loan banks and their business. And as Joshua mentioned, today's round table will be live streamed on FHFA's website and video recorded. FHFA may also prepare transcript of today's session, which would include the names of all speakers and the organizations they represent, if any. The recording and any transcripts prepared will be posted on FHFA's website and YouTube channel along with any materials being presented today or otherwise submitted in conjunction with the round table. With that, I'll turn it back to Joshua.

Joshua Stallings: Okay, so Amy and I had the chance to chat with our round table participants already, but let's make sure everyone watching knows who they'll be hearing from today. So, I'm going to ask that you introduce yourself and state your affiliation with the Federal Home Loan Bank system, whether that be in your current capacity or former capacity. If you have no affiliation, that's also fine. Just note that. Let's start with Kristin and work our way around.

Kristin Faust: Sure. Good afternoon. My name's Kristin Faust and I think my mic is off. And I am the executive director of the Illinois Housing Development Authority, which is a housing finance agency. There's one in basically every state in the country. So, we are a housing associate customer of the Federal Home Loan Bank of Chicago. And in that role, we are able to utilize several products including a warehouse line, and we're one of 13 HFAs that have standby bond purchase agreements. But I'm also a strategic partner because housing finance agencies and the Federal Home Loan Bank are part of the affordable housing finance ecosystem. And we work together to address needs and challenges around affordable housing in the Chicago and Wisconsin region where we border. And then lastly, I'm a member of the Community Investment Advisory Board with the Federal Home Loan Bank of Chicago.

Tony Lentych: My name is Tony Lentych. I'm the executive director of the Traverse City Housing Commission. I've been involved with the Federal Home Loan Bank of Indianapolis for a number of years, including my work down in Indianapolis with neighborhood community development corporations and a small nonprofit developer applying for HP support back in the mid-nineties. And I currently have two HP grants for some projects I'm working on at the moment. I've also served on their advisory council and was also the chair for two years.

Joseph Reilly: Good afternoon. My name is Joe Reilly. I'm the president and CEO of the Community Development Trust. CDT is one of the largest non-banks CDFIs with gross assets right now of about two and a half billion dollars but growing rapidly. Our primary focus is on the creation and preservation of low- and modern-income housing across the United States. We have made loans and investments in 42 states also in DC, Puerto Rico, and the US Virgin Islands. We've been a member of the Federal Home Loan Bank of New York since 2013. We've had a very good relationship with our colleagues in New York. We appreciate the relationship.

Joseph Reilly: We feel very strongly that our missions are aligned. They're working with us. So far, we've borrowed about $160 million, which has positively impacted 4,000 units of affordable housing. And we think that we can do more, and I think that they want to support us in doing more. CDT is a for-profit entity. It's a double bottom line company. Our mission is to provide long-term capital for the preservation of affordable housing, but we also have investors who are expecting a return on their investment. So, we're constantly balancing those two objectives. As I said, we appreciate the relationship and we're hopeful that we'll be able to do more with the Federal Home Loan Bank of New York as we go forward.

Linda Smith: Thank you. My name is Linda Smith. I am the executive director of an organization called U-Snap-Bac in Detroit. And I have currently served on the Federal Home Bank of Indianapolis Advisory Board for a number of years. Currently, we operate the NIP the Neighborhood Improvement Program on the behalf of a member Bank of the Federal Home with the Home Repair program. And happy to be here and happy to be working with the Federal Home Bank, which we'll talk a little more about a little later. All right, thanks.

Donald Rencher: All right. Hello, my name is Donald Rencher. I'm group executive of housing and planning for the City of Detroit. At one point I was the director of our housing department here in the city, and

I guess since my time, the Federal Home Loan Bank has been integral in being a part of providing additional gap funds for development projects that we believe that we desperately need to get into ground and start. And so from then on, I believe that the partnership has gotten stronger. We've seen a lot more funding coming into our deals and there's a lot more cohesion. And so I just consider the Federal Home Loan Bank is a partner, but across the board, based on their mission and the work that Linda is talking about, whatever we're doing to try to help improve the lives of individuals in the city of Detroit is essentially my main focal point and consider that work to be important. And so, I consider as a partner, but of course I'm not a CDFI or anything like that, but I believe the work is valuable here.

George Collins: Good afternoon. My name's George Collins. I worked at the Home Loan Bank or within the home loan bank system. Three different banks actually, but most of my career was spent at the Home Loan Bank of Boston where I retired as Chief Risk Officer in 2019. I think I'm here because there's a lot of risk questions that are on everyone's mind as it relates to what the banks can and cannot do. And hopefully I can shed some light on that without being constrained by currently being a chief risk officer, which is kind of nice. So, I've always been very interested in housing and given the current challenges within the housing markets as well as in my own community in New Haven, Connecticut, I'm glad to be asked to participate here as well as other forums. So hopefully we can push them all forward in some way. Thank you.

Sonya Mays: Good Afternoon. My name is Sonya Mays. I am the founding CEO of Develop Detroit, which is a mission-oriented real estate development organization located here in Detroit. Me and my team, we wake up every day and think about, strategize, work toward providing as much stable, high quality, affordable housing as possible for the people that we serve. We are predominantly a housing organization. The overwhelming majority of what we do is build, preserve, renovate rental housing, but we also operate a home building entity through which we offer home ownership opportunities. I am a customer of the Federal Home Loan Bank in that the AHP tool is one of the most vital tools in our arsenal as we work to deliver as much housing as possible.

Timothy Ha: Good afternoon. My name is Timothy Ha, serving as Chief investment officer at First Independence Bank. First Independence Bank is established 1970, 53 years ago. It's a black-owned minority pastor institution headquarter in Michigan. Last year we opened the two branch offices in Minneapolis, so trying to expand our footprint. We are also the certified community development financial institutions supported by US Treasury. So, we are trying to expand to serve the underserved communities and a low moderate-income area to bring the customer in trying to provide the financial literacy and also trying to provide the best customer service. Currently that First Independence Bank is the member of a Federal Home Loan Bank, Indianapolis.

Timothy Ha: I think that Federal Home Loan Bank, Indianapolis is the best out of the that FHLB system banks because before I joined the First Independence banks, I went through the 13 mergers for 12 years and I've dealt with the multiple other FHLB system banks such as FHLB, Des Moines, San Francisco, Cincinnati, and Chicago. They are all good, but since I know FHLB Indianapolis for longest time and then know a lot of people, so I'm here to have that informative and a productive discussion about the FHLB system bank and also that I'm trying to make the F FHL Bank system to the 2.0 that we can get the better benefits for mutually.

Joshua Stallings: I just want to thank you for the 10 angry calls I'm going to get because of that. So, let's get this conversation started a little bit with level setting on, I know not everyone here is serving the same communities, but can we start with a little bit more of a conversation on what some of the housing and community development needs are in the communities that you serve and get an idea of what the level of need is before we dive into what products the banks have available. And I'm going to put somebody on the spot to go first. And Sonya, I'm looking at you. You want to lead us off?

Sonya Mays: Okay, great. Well, so I think I'll start with the, I'm going to get that right, I'll start with what I think is the obvious, at least in my market, Detroit, and that is just the limited availability of affordable housing. My portfolio at Develop Detroit is consistently what I would describe as oversubscribed. We are always shocked at how few truly affordable units are available to Detroit or so I think that's probably the captain obvious answer. From there organizationally, we've actually been focused the last four years in really trying to crack the code around affordable home ownership. So, I mentioned this earlier, the vast majority of what I do is rental.

Sonya Mays: I think organizationally we'd be happy if all we were able to do is provide as much rental housing is possible. But certainly, the next evolution of that work is really thinking about how do you take somebody from a rental unit into a more stable home ownership environment where they can start to build wealth and more and greater stability for their families. And I'd say it's there where we see another pretty large gap and that is the capital tools that you need to deliver an affordable home ownership opportunity in Detroit are pretty limited. We have gone as far organizationally to repurpose, if you will, some existing tools to create more opportunities for home ownership in Detroit.

Sonya Mays: So, for example, about four and a half years ago Develop Detroit, we secured a new markets tax credit allocation, which is typically not used for housing and though it has been used in other places in the country for home ownership is not generally how you think of that tool, but that was an example of the length that we had to go through organizationally to be able to deliver homes to a, call it an 80% AMI customer. So those are the two things that keep us up at night. And if I had to say where I suspect the absolute greatest opportunity is it is on the developer side, production side, creating more tools that allow us to deliver a truly affordable home, particularly in this unfortunate environment that we're in with rapidly rising construction costs as well as inconsistently priced material costs.

Joshua Stallings: Sure. So, Donald, what do you want to do?

Donald Rencher: Yeah, forgot to turn on the mic. I would echo everything that Sonya says. I mean, as a developer out in the city of Detroit ecosystem, I can tell you that she probably has a front row seat to exactly the issues that we're seeing. I can tell you in my position to make sure that the city of Detroit is progressing and moving forward. I always feel like I'm in the middle of trying to retain and attract, which are both very, very different things. How do I make sure our Detroit residents have the opportunity to continue to stay and live in the place in which they are and how do I attract more folks? And to do that, you really have to have a different range of housing typologies and opportunities for folks to choose from. And then at the same time, you're dealing in an ecosystem which any development project you actually start working on is financially upside down from the onslaught.

Donald Rencher: And so, we need tools just to make a regular market rate development project work and even deeper tools to make an affordable housing project work. And I need both of them for the city of Detroit to move forward. And so, I think every day we work on trying to find developers with capacity and also tools and financial resources to push collectively to move forward with our idea of bringing a diverse housing to the market. Very interested in the home ownership as investors come to the city of Detroit, making sure people have equity and opportunity to own in the place in which they live in turning the mindset from a rental to a home ownership as we have now for the first-time last year, have gone to Detroit residents owning more than renting in the city of Detroit, which is a big change. So, we have to stabilize and do the things that Linda is doing so we don't lose homeowners. But the market conditions in the city of Detroit are probably our biggest issues, high taxes and what it takes to actually get projects done.

Joshua Stallings: Before we move off of Detroit, Linda, anything you wanted to add?

Linda Smith: Well, I'd like to speak.

Joshua Stallings: Oh, okay.

Linda Smith: I'd like to speak about the Home Repair program, the neighborhood improvement. In 2019 we had over 500 people line up at our office building and we got to serve them all regarding the Home Repair program that we operate on the behalf of First Independence Bank and Federal Home Bank of Indianapolis. People are living in homes that are rather old. Detroit has a wonderful, wonderful housing stock of older homes, but the funds are not there for them to keep it up. And they need things like the roof, windows, doors, just over years of deterioration.

Linda Smith: And so, with the NIP program that allows us to serve residents who have lived in their homes, some help with staying in their homes with furnaces and hot water tanks, small things, but it's major to a homeowner who's on fixed income and just struggling to get by. So, one of the needs that we're seeing now is the need for residents to stay in the homes that they own with the little help and by providing the support for that program has been just wonderful. Already we have 256 people on the waiting, well, we don't have a waiting list, but on the inquiry list and the program will not roll out till May. So, you could tell and they're calling every day trying to see how they can get some assistance. Thank you.

Joshua Stallings: Tony, your experience obviously in Traverse City might be different or anything that you want to bring to the floor.

Tony Lentych: Sure. Let me just say a few words about my area, Northwest Michigan, and it's a part of Michigan that has, and in my county has grown at five times the state rate of growth. And it is a tourism-based economy, agribusiness-based economy. And we have somewhat different development pressures. We have a lot of people wanting to live there. And what's that mean is that land costs are through the roof. So, when we have high land costs, high construction costs, high lumber costs, you start to see more gaps in development budgets. And so, we try to put these capital stacks together that are quite complicated and there's just no one window anyone can go to build affordable housing. Federal Home Loan Bank oftentimes is in that capital stack, but it relies on its member institutions to serve that.

Tony Lentych: And while we have a lot of financial institutions in Traverse City, also because of the wealth that's already living there, there's not a lot of interest in serving the populations that affordable housing developers want to serve. And so, there's just not a lot of capacity at those members to be partners to shepherd an application through and a willingness to do the extended compliance. So, we have nonprofits that are working in the region that have some limited capacities and they're trying really hard, but we also have financial institutions that do have some limited capacity as well. And I wanted to make sure that that's in rural parts of this country, there's probably more of that than not and I want to make sure that was on the table. Thanks.

Joshua Stallings: So, Kristin, coming from a of different market, anything similar, different that you're seeing?

Kristin Faust: A lot similar in Chicago and other urban areas of Illinois as well as the need for affordable rental housing is pervasive. I would drill down a little bit to say that low-income housing tax credit product helps address the 30 to 60% AMI group of renters. And we always need more of that, always, always. Also, in Illinois we see in particularly Chicago Land region more need for serving people at 30% and below AMI. That's a growing population. And interestingly enough, more need for renters at the 60 to 100% AMI. It can be hard to afford rent. In Chicago, for example, right now if your household's earning a hundred thousand dollars a year, which to me used to sound like a lot of money and still does, but to not be able to just afford a basic rent at that much because rents have gone up so high.

Kristin Faust: And Donald said it. What all that has in common is that to do any of that you have financing gaps. And so those financing apps are there. Then on the home ownership side, same thing. Whether it's rehab, the only thing I would add is that there's a huge need for new inventory. This is across the country, particularly as well as in Illinois though, because not only do we need to rehab our on average 90-year-old homes, but we need new construction, there has not been enough new construction built for a decade and new buyers, younger households, people like new. And so, there's also a huge, and we do have land and so there's a huge need also for new construction. I think the last thing I'll bring in that is related is that there is a need for a more diverse development community that's doing all of this.

Kristin Faust: So, when I walked into IHDA three years ago, I looked around and I was a banker, I knew a lot of the developers doing the light tech, and I was like, "You guys are all great guys." And they almost all were guys. But you're also, you don't reflect the demographics of Illinois and you don't reflect the demographics of a lot of the residents that you serve. And so, we want to do something about that. We want to grow the number of affordable housing developers and have that group grow to look more like the demographics of Illinois. And I know that the Federal Home Loan Bank of Chicago has definitely taken that to heart. And one of their voluntary programs that they've instituted is a diverse developer program. And we're also looking at doing something at IHDA that would complement the Federal Home Loan Bank program as a great example of that partnership. But I think that's another dimension of the affordable housing need, is also growing that pipeline of developers that reflect the community.

Joshua Stallings: Sure. And Sonya, it's going to seem like I'm picking on you because I'm coming back to you a second time already. But on that last point, is that something you think in the Detroit market that is a point of emphasis or needs to be?

Sonya Mays: So, I'm not as familiar with Illinois or the Chicago market in terms of the development and developer ecosystem. Here though I would suspect that if I looked out across the country, I would suspect that Detroit actually has a bit of abundance in that area. One of my service roles locally, I'm on the executive committee of an organization called the Real Estate Advocates of Detroit, which is a self-organized trade association that represents about 125 black developers working in the ecosystem at all sizes. So, these are folks that have portfolios of single-family homes, they do rental development, so they really cover it nicely.

Sonya Mays: I think what I would say in terms of a need for that population. So certainly, the interest is there, the technical capacity is there, but accessing the financing and being able to navigate in the capital market space, being able to navigate particularly in the different subsidy pools that you need to have access to, to do development in a weak market like Detroit. I think there are probably some real opportunities there. And so, I would call this fortunate in terms of having that body of people, but maybe definitely some room for growing that capacity and growing that reach of those black developers.

Joshua Stallings: Perfect. You're transitioning me great. So, thank you. So, pivoting a bit. So, the Federal Home Loan Banks actually offer several core products and services to their members and housing associations. Chiefly, they have loans which are called advances. They do mortgage purchases, and they have letters of credit. They also have some affordable products. And George, I don't know if you want to give us a little bit of a rundown from your experience of what the benefits of some of those programs are and how they benefit members.

George Collins: Sure. Thanks. Excuse me. Far and away, the biggest product for the home loan banks and its members are the advances where members are able to use housing related collateral to borrow pretty much at will, at attractive rates, anytime of the day, very conveniently. And so, it's really a great system for member institutions and affiliates too who do have access to it. But I think that that typically represents somewhere between 50 to 70% of a home loan bank's balance sheet. So, it is the number one product. As you mentioned, Joshua, there's also a mortgage purchase program where member institutions can sell loans directly to the home loan banks, which has been around for about 20 years. I think it plays a nice niche role, but it really is pretty similar to what Fannie and Freddie do with the few twists that are different, but it's not significantly different than what Fannie and Freddie do.

George Collins: And then as you mentioned, there are a lot of programs that are somewhat smaller that are targeted towards affordable housing, community investment, all of those are limited to a degree, both in size as well as the contribution of the banks. So, they're not as available as the advances to members. And so, there's some constraints there. So, I think that that covers it to a large degree. I don't know if I added anything to what you laid out in a shorter period, but that's my assessment of it is advances are the number one product. And there are some ancillary products targeted towards community development and affordable housing, but they are smaller.

Joshua Stallings: So, with that in mind, Joe, can you give us some thoughts on do the banks offer the right mix of products and services to their members? Are there market segments that are well served by the products or are there gaps?

Joseph Reilly: There are gaps and there's more that we can do. I think it's important to look at the fundamentals of the performance of affordable housing assets over the past 35 years. And you'd find that this is a very strong category of loans, investments, it performs very well, better than many other types of real estate assets. So, I think that from a credit perspective, first we should keep that in mind. And I think that CDTs 25-year experience certainly supports that. We've had stability over the 25 years. We pay our dividends to our investors on a regular basis. We've been very consistent with that, and our portfolios have performed well even during the most difficult times. And I'll also say that-

Joseph Reilly: And I'll also say that I speak from our experience in multi-family housing, not single-family homes. It's not something that we're involved with. But there are some things that we could do to expand upon what has already been done. The products that George mentioned, we've taken advantage of the opportunity to borrow, as I said earlier. $160 million from the Federal Home Loan Bank of New York. That's impacted 4,000 units in a positive way. But we think that there are a couple things that can stretch the products a little bit more without adding a lot more risk to the system. And I'll give four specific examples of that. Number one, I think that a large portion of the affordable housing production is financed by unrated tax-exempt private placement bonds, which actually carry almost exactly the same risk profile as the mortgages that we already pledge as collateral.

Joseph Reilly: So, I think that that's something that we should look at very closely. We've been working with our colleagues in New York at the Bank of New York, at Federal Home Loan Bank of New York in discussing that. Some of the banks already accept this, that collateral. And I think that we should look at that as it should be consistent across the board, number one.

Joseph Reilly: Number two, we should look at the advanced ratios to the extent that we could increase the advanced ratios, in particular for CDFIs. If we make a $10 million loan and pledge that as collateral to the Federal Home Loan Bank, we can borrow seven and a half million dollars. And that's great and we love that, and we want to continue to do that. But that two and a half million dollars for a CDFI, that we need to provide, that's challenging for us to raise.

Joseph Reilly: And I think all should come back to the performance of this particular asset class. And if you look at it from that perspective, from a credit perspective, we think that the advanced ratios could better reflect that. There are subordinate loans on some large transactions that should be used as collateral for borrowings. And we could go through the credit risk associated with those and discuss that as well. But we think that that could work.

Joseph Reilly: And the last thing I'll mention is the borrowing terms. CDT's mission is to provide long-term capital for the preservation of affordable housing. We do that through lending and investment. But on the lending side, both the lending and investment side, we think it's important to do that because long-term capital promotes the stability of quality ownership, which is good for the residents at the end of the day. And I think that that's really what we should be focused on here is how do we use these products to improve the quality of life for the residents of affordable housing. So longer terms would be extremely beneficial to affordable housing development and preservation. So, it's really those four things that I think that we should be thinking about as opportunities to stretch a little bit further. We think that we make a strong argument for including those topics, those issues, for discussion about expansion of the activity. We'd like to talk about that more. Those are where some of the shortcomings are, I think.

Joshua Stallings: So, Timothy, you spoke about experience with multiple Federal Home Loan Banks. So, I guess from that vantage, what were you seeing as the issues of were there differences between the banks that you found problematic? Were there challenges that some of them offered some products, some didn't. What were your takeaways there?

Timothy Ha: Sure. I think that the basic framework of the FHLB System Bank is quite identical. So, they have the big, that objective they're trying to achieve, but by different FHLB banks, has more products. So, for instance, FHLB Indianapolis not only just have that affordable housing program, but they do also have the repair related to products called that, the Neighborhood Impact Program, Homeownership Opportunity Programs, and then the Accessibility Modification Program, which that some of other FHLB banks do not have.

Timothy Ha: So, sponsor and the members, they really need to find out what FHL banks are providing for that type of a program, which can be benefited for the related parties. I want to just go back to that Joseph had mentioned about that some of a different structure and the collateral and the credit quality, that criteria. I think that that can be coordinated with FHLB, that you're working on.

Timothy Ha: I haven't dealt with the FHLB in New York, but typically if I have some kind of like a case which doesn't fit into the specific credit or collateral guidelines of FHLB in Indianapolis, I'm just trying to talk with the responsible peoples and then trying to see that how we can come up with a modified the solution to fit into that case. So, I think the key to the success is trying to coordinate with the responsible people, see if there's any regulatory or compliance boundary that we can just work around it and then we can find the alternative solutions to meet their needs.

Joshua Stallings: Okay. Kristen, any kind of add-ons that you want to bring to your experience with the Chicago Bank?

Kristin Faust: Sorry, my mind's going a couple of different directions. Thank you. I'll just weigh in and say that we have a large network of CDFIs in Illinois, and so we do think that they also are part of the affordable housing finance ecosystem and increasing their ability to maximize their access of the Federal Home Loan Bank is something that we think is definitely worthwhile. And so, I would just weigh in right there with that and say that again, our Federal Home Loan Bank has created some additional products, again on a voluntary basis, Federal Home Loan Bank of Chicago, actually, the board dedicated a $50 million kind of loan pool for CDFIs that has done very, very well. But that again, that's a one-off program.

Kristin Faust: So, the other message I would say is that the core programs that come out of the Federal Home Loan Banks are really important. They fill those financing gaps, whether it's down payment assistance or on the multi-family side. But the ability to continue to fashion and listen to the local credit needs of the community and then be able to fashion programs and products that respond to those more local needs, more regional needs, I think remains really, really important. And I'll just finish by adding on, but Timothy here, listening to Tim Han, could we do more to go around and share with each other the different Federal Home Loan Banks, "Hey, we created this NIP program. Here's how it works, here's why we think it's good, here's how we did it from a risk management perspective, here's how we did it from other perspectives. And Chicago go around and share its program, its investment in CDFIs. Perhaps there's an opportunity to do more of that, but I think that regional customizations really important.

Joshua Stallings: So, George, from your experience in the system, what do you think has kept the system overall from working to address some of the gaps that have been already identified?

George Collins: I would agree that those gaps to exist. We are, or sorry, not we are anymore. They are risk averse, overseen by a risk averse regulator. And you put those two together and the wiggle room is limited to adapt to new initiatives, new ideas. And I think that's unfortunate because it's been that way for a long time. And yet the risk profile of the banks has changed enormously over the course of certainly the last 10 years when things were a little bit on the bleak side, to a position today where the banks have abundant, retained earnings, abundant earnings, and I would argue the ability to take on risks in some form. Now how that takes place, I'm not going to speak to that directly, but I do think there are some mechanisms where incremental risks to address the local needs are possible without jeopardizing the performance of the banks. So that's something that I think that we should tease out as we have this discussion this afternoon, because I do think it exists on many fronts and could accommodate some of the things that are coming up around the table.

Joshua Stallings: Yeah. So, Sonya, you mentioned an unmet need for scaling single family and for sale development. What kind of product do you think would be helpful in doing that? What could be structured to support that better?

Sonya Mays: Yeah, if I may just take 30 seconds or so, just to provide context. So, Detroit is, we hope, at the very tail end of a 40 plus year population decline. And the way that that's happened in Detroit, it's left many of our neighborhoods with vacant homes, vacant lots. And many of these neighborhoods are incredibly strong. The housing stock that does remain is quite frankly, despite it being old, is quite frankly attractive to folks. We don't build brick homes today the way that was done 40, 50 years ago. And many of these neighborhoods were also kind of oriented around the idea that all of your needs, all of your amenities, were within a 15, 20-minute radius. And so, you'll have neighborhoods that have not just single-family homes, but multi-family housing stock as well as commercial, small-scale retail. And so, the nature of many of the Detroit neighborhoods really does kind of skew toward this modern idea of particularly young folks moving back into highly walkable, dense neighborhoods.

Sonya Mays: But you have these holes in the physical landscape. And so, we have found organizationally at Develop Detroit, the best way to address that is minimally at a block-by-block level. And so, it doesn't help us from a production or scale standpoint to sort of stand on a block and say, "Okay, we're just going to do one house." What we prefer to do and what we've done in the past is to scale that up to several blocks at a time where you're going into a neighborhood and you're filling in all of the vacancy and abandonment at the same time. And not only is that more cost-effective, but it also signals a significant change in the very nature of the neighborhood. So now, you can talk to people about this neighborhood is being stabilized, this is now a growth opportunity. You're signaling a different type of future to existing homeowners who may not have seen a lot of appreciation in their equity in previous decades.

Sonya Mays: Well, that may be changing. We're actually, as an organization, we also think about layering on not just the single-family work in that way, but we tend to do it in tandem with multi-family invest investments and, in some instances, commercial investments. And so, the challenge that we are consistently trying to overcome is where do you go for lending at that scale and single family? It's pretty clear who I go to for my multi-family needs. We have wonderful partnerships with our local CDFIs. LISC is a really important partner to us as an example.

Sonya Mays: But where do you go, when instead of just wanting to do a single-family development where maybe I just need a mortgage to, I need to do 30 homes and I'm going to do them all in the same nine-to-12-month period? No one wants to lend us that type of capital.

Sonya Mays: And we've successfully gotten over some serious obstacles in the past. I can credibly say to lenders, "You're not going to have an appraisal problem." Whereas seven or eight years ago, that would've been a major stumbling block. We have enough demonstrated data in the strategy that we know we can overcome a potential appraisal problem. And so, it's that kind of pre-development acquisition capital at risk that needs to sit in that type of project, let's just call it a 25 or 30 home development project. Some of it new construction, some of it renovation, sort of blended depending on what the neighborhood needs. And your risk is that you're assuming the development risk, but you're also going to assume the backend sales risk. And we just don't have a partner who's prepared to take on that, at any scale more than I'd say two or three homes. So, if I had a Christmas wish list for the capital markets, that would be pretty close to the top, if not the top of the list.

Joshua Stallings: Sure. So let me open up, see if, and remember everyone, you can turn those placards if you've got a thought. Let me open up, see if anyone else has any thoughts on that. Because I think that you're speaking to something there that I think is the scars of the housing recession and what happened in the development world after that occurred. Now, Linda. Why am I talking? You talk.

Linda Smith: Okay, thank you Sonya. That helped me to remember 20 years ago on a particular block in Detroit, it had seven abandoned homes, which we were able to acquire. And today, there are 40 single family homes still standing on that block. And just what you said, it was difficult at that time to find someone to do the financing on the back end. We were able to do it with home funds from the city and the State of Michigan. The actual home to build at that time was 120,000. So, we were able to get 60 in subsidy and they could get a mortgage for 60. And we had a bank who worked with us and did the construction financing, then made it permanent mortgage. That worked.

Linda Smith: Today, I can't find anyone, as I'm looking to do more single-family homes, to help fill those gaps and to come in and be on the back end once we built it in for sale, and the appraisal. Appraisals are still kind of scarce. But once I started building those homes, the value increased. So, then it wasn't a problem. But we still have the problem today as we launch out doing single family homes.

Joshua Stallings: Sonya, I'm going to let you get right back in there. But then Timothy and then Tony.

Sonya Mays: Yeah, just super quick. Super quick because this is one of my favorite factoids. In the last four years, my organization has renovated or built 28 homes in a single neighborhood, every single one of them appraised at or above the target list price. So, I'm very proud of that because I was told five years ago that Detroit had this insurmountable appraisal problem. And it turns out that there may just be something to the strategy of doing it all together and just changing the complexity of a micro neighborhood at the same time that allows us to overcome that issue.

Timothy Ha: Yes. I want to address the one of projects that our bank is currently working on. I think that it's hitting some of the points that Sonya just mentioned because we noticed that there's a disparity between the rental and then the ownership developments. Obviously, FHLB has both programs, supporting that rental and then homeownership. But mainly that from the news media, we can see that the multi-family, that support, has been headlines and then not many that ownership developments on the news line. So, one of the projects that we are working on is we are building, a bank is actually the developer and then we are the builder for 20 single family units because we couldn't find the developer appropriate to lead this project. So, the bank ended up being developer.

Timothy Ha: And then we are trying to bring in the subsidy funds from [inaudible 00:50:18] for a 1.2 million, and then also the new market tax credit about 1.5 million. And then bank is financing 50, which is about three million. So, we are trying to overcome the appraisal issue and a lending issue. And then also, we are trying to focus in on the ownership development instead of the rental. So, we are working on multiple projects.

Timothy Ha: But those are the points, that I know there's a lot of developers in the City of Detroit, but there's a gap between, which is a really large developer, there's a small developer, we couldn't find that some developer, it's in a middle class, to handle that, the feasible project. So that's why that bank is end up being a developer. And we are trying to work with FHLB Indianapolis trying to bring in the gap funding or that the AHP, that funding, trying to help the single-family units, the owners. I think that it's just kind of, we need to work on how to work it out because problems prevails, but we really have to work on some of the cases that how to resolve the issue and then trying to reach that, the end goal of trying to have the ownership developer happening in the City of Detroit.

Joshua Stallings: Tony, and then we'll come over to Don.

Tony Lentych: I came here with a lot more questions than answers for you. And I thought this was a time to bring out my first question because the advances that Federal Home Blank system does is a reason for membership. It's their core business. And the more they do of that, the more money they make. And that really generates revenue for a lot of the programs that many of us deal with it. And one of the questions I have is how do we help them be more profitable so there is more revenue for these activities? I don't want that to be lost as we are looking at this round table of Federal Home Loan Bank system at 100 because maybe there's the next 100 years that will look different. And we've heard some good solutions here from the Community Development Trust, which my new friend and I do like the way he's thinking because if you add up the balance sheets of the Federal Home Loan Bank system, it's significant money.

Tony Lentych: It's got to be over a trillion dollars perhaps. Do off the top of your head, how much is sitting out there at these banks? How can that be, in the next 100 years, transferred or leveraged into new class of members like CDFIs that are doing certain things? So, can that become part of the profit center for the Federal Home Bank going forward, instead of dividing up a piece of the profits for their activities? I want to make sure that question doesn't leave the table. So, I'm always eager to see them. When I was on the advisory council, one thing I always paid attention to every meeting was how well the bank was doing, because I knew that would transfer into more grants.

Donald Rencher: So, Tony went to a different place. I wanted to go-

Joshua Stallings: Come on back around. It's okay.

Donald Rencher: All right. And I would love to talk about that too. But in the City of Detroit, we came out with a strategy called the Strategic Neighborhood Fund, where we leveraged as a multi force different investments into several neighborhoods in the City of Detroit, whether it's affordable housing preservation, investing in the commercial corridor, street scapes, parks, whatever, essentially creating an atmosphere with where people would want to live. Right?

Donald Rencher: And it's interesting Sonya saying that because we have tapped her, she's been one of the only successful people recently that I've seen actually build new development. And we have a lot of land. And I can tell you that people and residents in the neighborhoods would love to see more single family. And we're talking about the missing rental for 60, 80% to one 20 AMI. Those are people that I would love to make homeowners and be residents for the long term in the City of Detroit, specifically in these neighborhoods that people really want to be in. Looking at homes that are selling in some neighborhoods that even Sonya is working at upwards to three to $400,000. But yet, we can't move forward to figure out how we can do some single-family new construction in some of our vacant areas in that space too. There needs to be some type of product for that. I'm very interested in trying to figure out how we can do infill because we have to figure out how to grow.

Joseph Reilly: I want to follow up on Tony's comment. The system is sound, it is strong, it has been profitable. And if we want to come up with a bold idea, take some of those dollars and invest in the entities that are represented here to allow us to grow and will, in turn, allow us to leverage more dollars to come back to you with more product. Speaking for CDT, I make an investment in CDT. We're a for-profit entity. There are ways to make investments with not-for-profits as well. Provide some of that capital to not-for-profits that allow them to grow.

Joseph Reilly: But for CDT, pretty straightforward. We're a for-profit entity. You can buy stock in CDT. You can take some of those dollars that have been generated over the past few years and make an investment in us, which would allow us to bring more product to you at the end of the day. It's a pretty bold idea, I think very different from things. Some of the earlier ideas that I mentioned are pretty straightforward and just expand a little bit upon what you already do. Here's one that's a bit outside of the box to say, take some of those dollars and make investments in the entities that you want to support and bring you more business.

Joshua Stallings: Yeah. So, I think one... I see Sonya. Go ahead. Okay. Okay, we'll come back.

Joshua Stallings: So, one thing that seems to be coming up is a little bit of discussion on extending the relationship with what would be more non-traditional bank members than CDFIs. That's come up a few times. So, George, I'm going to ask you as the one at the table, your thoughts on why that's kind of been a slow build since CDFIs have had access to the system for a while now. Why is it not more prevalent today?

George Collins: Well, I'll put on my CRO cap for a bit. And there's no question that from my perspective, historically, we view those sectors of the market as being higher risk. And we've heard, today, and we've heard over the course of the last three months at all the round tables that there's not as much risk there as we people in the back office seem to think when we run our models. Things are non-standard, perhaps in the affordable housing markets and community development. And therefore, they don't fit the model so that when we try to aggregate risk, we see more risk because it's not standard. It doesn't mean it's true, but that's our experience.

George Collins: So, to the points that have been made really around the table already here, how do you experiment with that and get the home loan banks more comfortable with the fact that it's not as high risk as it might seem? So, to take that first leap into a higher risk arena is something that home loan banks don't do easily. And again, the FHFA, looking over the shoulders of the home loan bank management, I would say discourages to a degree. So that's a cultural shift that needs to take place to say, "Let's go out and learn this."

George Collins: We've talked about local communities, people knowing their markets. What might look risky to someone in DC, based on what Kristen might be doing in Chicago, might not be risky at all, or what's happening here in Detroit. Everyone around the table seems to think that there's quite a bit of value in what's being done here. And it's not as risky as I would think when I was chief risk officer in Boston. So, I think that really needs to be explored. And how do you ultimately do it? Because the banks are risk averse and the agency has a mission to not let the banks take on a whole lot of risk that could cause problems down the road. I have some ideas, but I'm not going to jump in right now. I'll use it for my closing comments, or I'll do some written comments if that should happen. But I do think that there's a real opportunity there for the home loan banks to get more comfortable with what's happening on the ground.

Joshua Stallings: Yeah. Thank you. And I'll say, as the regulator peering over the shoulder, I've only been in the seat for about five months, so it was not all with me. Sonya, I think you were up and then we'll go with to Joe and then to Kristen.

Sonya Mays: George said exactly what I was going to say, probably better. I was thinking it differently. I was sitting here thinking that the way this question was framed, it was sort of like, one of the questions was framed, was what are new products or new services that could be offered that would help further the work? The way my mind works, I turn that into we need to innovate. What are some of the innovations that we need to tap into for the next 100 years of the work?

Sonya Mays: And to Joe's point, one of the more direct ways to do that is to just invest directly in the people who are innovating. But that's very much a paradigm shift because now you're having to think about investing in leaders in leadership and not necessarily thinking about a suite of products that might be one size fits all across different regions. And so, I just found myself wondering, how does the system tap into this more entrepreneurial, innovative approach way of doing things where you might have to invest in leaderships or leading-edge organizations, and how do you square the risk around that to make it happen if it's even possible? Because sometimes organizations are difficult to make those kinds of almost core shifts in the way they think and do things. So, I love that prompt, and you and I were sort of thinking about things the same way maybe with just different words.

Joseph Reilly: So, I've had a long career in community development and affordable housing finance. I worked as a community organizer in the Bronx. I worked in New York City government for six years and six years. Then I spent 18 years at Chase and 17 years now at the Community Development Trust. So, through the time at the bank as well as at CDT, 35 years. I've spent a lot of time convincing credit people that this stuff is not as risky as you think it is. And there's a perception of that. And over time, we've started to break it down. But now, there is empirical data that we could provide through the performance of CDT's portfolio, which demonstrates that exactly. And we could go through the financial crisis, we could go through the concern about another financial crisis as a result of the pandemic and look at how this asset class has performed.

Joseph Reilly: And I think that you'd find, you'd see, that this asset class actually performs very well. It's not regular real estate. You shouldn't invest in affordable housing if you think there's going to be some big IRR pop at the end of the day. But it's slow and steady wins the race. It performs more like a utility. And we should be thinking about it from that perspective, that that's the type of return that you're going to have from, and the risk that you're going to have associated with affordable housing portfolios.

Joseph Reilly: Our experience, we will share what we've learned with anyone who's trying to do things that improve the quality of life for the residents of affordable housing. We're an open book, we'll provide that background. But I think that you'd find that this asset class performs well. It may take some time to convince people in the right-

Joseph Reilly: And if you get, it may take some time to convince people in the right places of the regulate of FHFA and the individual banks, but we will spend the time using our portfolio and our experience to show that this asset class actually performs very well, even though the most difficult of times.

Kristin Faust: I was just thinking about things historically as well. I mean, CRA was passed in 77, the CDFI fund was created in 94. And so, it just makes sense in a way. There has been 30 years of community development, financial institution growth, and new asset classes have been created in that time and a while back, CDFIs were charged with grow, change, or die and a big percent of them grew to substantial size. And there's mid-tier ones and there's small ones. So, I mean when we talk about CDFIs, it's not like lend money to all of them or advanced rates for all of them. But my question to you is I don't know this, does FHFA a do its own research on new asset classes? Because what Joe's offering for his portfolio, but there's more data out there and so I'm thinking about it.

Kristin Faust: There's one piece of it that's around CDFIs, so there's another piece around it that's around tax credit lending, lending on with low-income housing tax credits, whether it's first mortgage, bonds, unrated bonds, rated bonds, and doing a deeper analytical dive into these asset classes and realizing that hey, this didn't happen overnight. This has been a 30-year plus historic development in the financial markets and that it's time for FHLBs to kind of, I think they have individually, but for the whole system to recognize it more deeply and acknowledge it and then in turn either increase advance rates or do something else or create that Angel Investment fund. But that, that's pretty far out there. But I think they're all really interesting ideas, but it makes sense historically. Yeah, there's these new asset classes that haven't, we just need to get the data and information out there.

Joshua Stallings: So, Tony, one thing I would say that I want to come back to something you had said before and pivot it a little bit. Obviously, the federal home loan banks do have some programs where they directly invest, but a lot of what's actually been done is by the federal home bank's members. And I think you were speaking a little bit to the difficulty of engaging with some of the members to get some of the processing done that you were hoping to. Do you think that there's anything that banks need to be thinking about in terms of incentivizing their members to join in on these issues?

Tony Lentych: So, as I learned a long time at own community development, we've heard it here a little bit today, capacity has legs, it can walk out the door and having a financial institution that's a member of the Federal Home Loan Bank system lose a certain executive or a high-level officer that had a passion for this and had some abilities to do that. If they go to another financial institution, I might consider going to that other financial institution it's that much reliant on the people in it. And so, to that extent, how does the Federal Home Loan bank system invest in that part of the system? They can do things like Indianapolis did by opening up like a Detroit office, which has been rallying projects and then I think matching them with financial institutions that might want to do it. So, they could do something like that.

Tony Lentych: But I do think there could be some relief created, this is me and my Christmas tree list, my Christmas list if I were to do that, but help with the backroom operations of compliance and things like that to finance some other smaller financial institutions might have to take on, and that can be daunting, especially if it's a small community-based CFI or something like that. So maybe there could be some technical assistance or actual some sort of grant operation that helps that out. I would certainly think that would be a key because you see that happen more often than not, that we try to find the financial institution to shepherd through the application based on them doing it before and the bank having ability to actually take on that role. It's not easy.

Donald Rencher: Well, I thought about two things on how we, I mean we're going back to the discussion on what we can improve on and what needs changing. First of all, one of the things I love about Federal Home Loan Bank in Indianapolis is getting a local office here and so they can be really in tune to what we're doing. It's almost like you can't work in the city of Detroit. I don't know about any other city without knowing the initiatives and the directors that we're going. I mean, how can you be a bank lending when you don't know where the city of Detroit's putting their $800 million of ARPA or where in the State of Michigan is moving legislatively and moving billions of dollars of ARPA in different cities and what projects they're looking at, how their [inaudible 01:10:07] programs are working. And so, you have to be in tune with that. And I think the only way to do that is physically put someone there.

Donald Rencher: When I heard that Anna Shire, for instance, who worked with us for a minute was going to Federal Home Loan Bank of Indianapolis. I was ecstatic because now there can be some synergy and connectivity to the people who lend, and we can be on the same page to be more impactful and effective at what we do. But it also, going back to George's point, I was just listening to what he said about the mission and making sure that the bank is financial healthiness. We want to make sure they're in existence and can do the work. But I know when I read the website, they talk about some of their mission is to ensure home ownership and help provide equity amongst Black and Brown communities, things like that. And I wonder if you guys are really chasing your outcomes, not necessarily looking at outputs, right? Are you guys closing the wealth gap between Black and Brown communities, right? Are you reducing poverty about with your products? How is your products helping be really impactful with outcomes? Not necessarily outputs. I gave these many loans in a year, but how are you changing people's lives?

Donald Rencher: And I feel like sticking in that mission-based focus really helps guide your principles and makes you understand well, the risk that we are trying to look at, I'm not sure if we're actually making our mission and really looking at that. So, I would say that, and also would really be interested in how much policy and research that Federal Home Loan Bank actually participates in. I think about some of the rule changes we made at the state level. One thing I do appreciate about the mayor of the city of Detroit is that he's into changing law, right? Legislatively, how are you creating policies to help improve the advancement of the mission that you're trying to do? I was talking to Tony right before this conversation started and talking about how there's a miss where NOAH naturally occurring affordable housing. Most of the people who provide everyday affordable housing in the City of Detroit and states are just regular private people who don't receive grants, they don't receive tax incentives, they don't receive any of that, and also goes to the quality of the housing that they provide for our residents.

Donald Rencher: But recently at the state level, they just passed the ability for municipalities to provide a pilot to people who are naturally, you don't have to have a litech reservation or take a federally mortgage anymore. That change right there has shifted the landscape more than any dollar that you guys can provide. Dollars are not necessarily going to be the thing that change people's lives. And so, thinking about it differently, getting into policy and research and seeing what things you can change can go a long way even more than providing someone a loan for something, but also staking within the mission and really chasing outcomes. How you're changing the environment for people I think is really, really important. Are we increasing the wealth for Black and Brown people? Is like, what are we here to do? And I think that we have to make sure we're always looking back and coming back to that point.

Sonya Mays: There's so much there that I wanted to follow up on. But first I did just want to echo on Tony's point about what I refer to as relationship management within specifically the Indianapolis system. Bank consolidation has been my firm we rely on the HP grant. That's an important tool for our work and bank consolidation has really been tough the last five years. Every year my team, there's this window every year where we look around in the prior years relationship bank relationship for HP doesn't exist because of a bank consolidation. And so, we have to look at the list and figure out who we can get to and how do you build a relationship and so much time and then hope that they have someone on their team who understands how to deploy this grant.

Sonya Mays: It really is an annual effort for us, and I don't know what would happen if there wasn't the Detroit office, Anna Shire, who occupies a seat really does help facilitate that. So, I just wanted to lift up that there's this to this point that sometimes it isn't just money, sometimes it's policy or the way that the process works, and bank consolidation has been pretty tough, at least in Indianapolis with the HP program. And then I don't know if we are going to spend some time on this outcome, this notion of outcome-driven policy, but I have some thoughts to offer to that as well.

Joshua Stallings: Okay. Well, we can certainly come back around to that because in the back half we are going to be talking all about ideas on what products could be offered by the banks or what solutions they could be bringing to the table to help fill some of these gaps so we can come back around to that point. So [inaudible 01:16:05].

Timothy Ha: Yes, I would like to echo that Tony and Sonya's points because that's been the challenge for local community bank like us. Because I mean this NIB HOP and programs, we are registered as a participating bank so that people are calling us to how to apply and how to get this grant. However, for instance that this week we got the seven calls about this program, only one customer is an existing customer, other six doesn't have any banking relationship, but they want to apply that grant through us. At the end of the day, I don't want to be so greedy, but we don't have any revenue out of this processing the application.

Timothy Ha: They'll get the money, they'll deposit the money to another bank, and then we are going to go through the operational burden keeping that record retention and then monitoring. So, I think that that is our challenge. I mean, we don't want to shut down the customers like those inquiries, but at the end of the day, we have to find out how to generate the revenue out of this for greater goods. So, I think that that's the reality that we are facing and then our bank is trying to overcome the challenges.

Joshua Stallings: Okay. I think that we're at a good point to take our midway through break. So, we are going to stop for 20 minutes, so please be back. Well, let's call it a couple minute. Well, I don't know. I'm not going to do that math. Well, we'll figure that out after they take me off camera and I don't look like an idiot. So yep, that's it. 2:40. So please be back by 2:40 and we'll continue to discussion. As I was saying, the back half is going to be all about what could be offered, what could be done by the federal home banks, product services wise to really get to some of these issues that we have been discussing so far.

Sonya Mays: Thank you.

Joshua Stallings: Thank you. Okay. And welcome back. So right before the break we'd gotten into some discussion about being focusing on outcomes. And one thing I wanted to return to as we're getting back into this discussion is how should the federal home banks think about the way that's documented or they're evidencing that that's what they're doing? How has that kind of shown? And Donald I don't know if you want to take a jump at that.

Donald Rencher: No. So no, I appreciate that. And the reason why I said that is, as I said before, it was reading just the main website and about the mission. And so how do you know you're accomplishing your mission? That's my biggest question for anybody who's doing a job every day. And so, thinking about looking at, one thing that we're looking at right now in the City of Detroit is like, how are we increasing home values? Are we in increasing just values for Black and Brown residents of the City of Detroit? Are we reducing poverty through our investments through, it's interesting that Linda is a rockstar and what she does with home repair, creating that stability in our neighborhoods, and I think we have to be more coordinated with what we do because we also have a lot of people who are provide funding for repair grants and alike?

Donald Rencher: But some people do facades, some people do roofs, some people do plumbing. It's all needed and it's not enough money to do all of it, but you really have to make sure you've come to a conclusion of whether you're doing your job and accomplishing your goals. So, I think chasing that information and tracking it and doing the research it needs to really find out if you're moving the needle is important. So that's what I thought about like the racial gap and value gap. These are things that people dig into every day and if your mission is involved in that space, then you have to chase that and see if you're actually impacting that in any way. And we understand outcomes and you have to be able to tell your boards and the people that you're getting the work done. But I think it's also important to see if you're really changing the system and what you're doing is changing the system.

Joshua Stallings: Joe.

Joseph Reilly: Impact metrics, we need to develop impact metric metrics. It's hard to do, it's hard to make them right, they need to evolve over a period of time. But we're in a business, our missions are very much aligned. I think that we would agree upon that. But this is not just about money. It's not just about the bottom line. It's not just about how much money our company makes or how much the system makes. At the end of the day, it's about people. And what we need to keep in mind is the impact on people, the financial decisions that we make impact people. And I think that whenever we're making a financial decision, we need to ask the question, how does this impact the residents of the properties that we invest in or lend to? And assess then is we should be moving towards improving the quality of life for people, and we should measure that it's not just dollars.

Joseph Reilly: We can demonstrate the economic outcome of the work that we do, what we need to spend. And I'll include us CDT in that category. We're always looking at how we can more effectively measure the impact of what we do, not just the bottom line, but what is the real impact on people. Now keep in mind that if we don't have a bottom line, we won't have any impact on anyone. So, it's not that we should dismiss that. It's a very important part of what we need to do. In the words of Sister Lillian who used to run Mercy Housing in Denver, no margin, no mission. If we don't make money, we won't have any mission. But I think that we probably all need to spend more time measuring the impact of the work that we do and the improvement in the quality of life for the residents of the properties that we lend to and invest in.

Amy Bogdon: Does your organization have examples of that that we might look to or that the banks might look to?

Joseph Reilly: Yeah, we do. And on an annual basis for our board, we prepare an impact statement and we're always looking for ways to improve that. So, the impact metrics, it's not as easy to measure the impact as I'm describing as it is. It's very simple to look at the bottom line, oh okay, here was our net income. We can figure that out. We can figure out the math, it is more challenging to make sure that we're taking the work that we do and then also looking at not just the bottom line, but looking at does this really make a difference? And I think that in our business, we should always be asking the question. It's not just what is the best economic decision? We should be asking the question, what is the impact of this decision on the residents of that property? At the end of the day, if I choose to foreclose on a property, what does it mean for that? If I choose to sell this property, what's the impact on the residents? And we should be asking that question when we're making those financial decisions.

Joshua Stallings: Kristin Faust.

Kristin Faust: I believe in impact metrics. I believe in looking at outcomes, not just outputs. I would maybe say two things. One, some of that work is bigger than just the federal home loan bank. I think it's the challenge of the whole affordable housing finance ecosystem to come up with some of those metrics and figure out how to get at them. Because one thing that the member banks, the member partners, the developers, nobody needs is more paperwork, more answering, filling out more forms, more regulation of AHP, more whatever word we want to use. But yet I know yet another report to fill out. We're trying to keep this streamlined opening up access to maybe the next rung of developer who isn't as sophisticated as the big light tech developers that have been doing it for 20 years. So that's one piece of caution.

Kristin Faust: And the second, and we'll go out for later and we can debate this, but we know there's been data that shows home ownership is good for kids in school. It makes they do better. And so, we also know that, for example, black home ownership is not like home ownership just automatically builds wealth. We know that the age you are when you get your first home, there's been studies for African American home ownership matters. The younger the better. It gives you a chance to build equity. So, if you were able to run a program that showed your average age of your home buyer and say its African American home buyers went down, to me, that should be enough. You have your model, you have your research, and then you have your simple data about showing what you're doing. So again, this is a much longer discussion, but I would just say we got to think about outcomes, but let's be really thoughtful about how we ask people to deliver the data to measure it because it could be too much.

Joshua Stallings: Sure. So, before we move on, George, what do you think about as a former representative of the system, of the kind of thinking within the system on this front in terms of looking at outcomes?

George Collins: I'm drawing a blank on that one, Joshua. Just not close enough to that on a day-to-day basis to give you or give the group a whole lot of feels.

Joshua Stallings: Okay, no problem.

George Collins: Sorry.

Joshua Stallings: All right. Oh, signing.

Donald Rencher: So, I would also say, and why this is difficult work, and this is us finance people sitting around the table too, thinking about social impact issues. And what I would say that that's why we try to hire a University of Michigan to run studies to say if the work that we're doing is actually accomplishing the goal.

Kristin Faust: University Illinois, University of Michigan.

Donald Rencher: Yeah. Or Detroit Future Cities, Anika Goss-Foster does an excellent job in really researching the impacts and where we're missing tools for the City of Detroit. So, it's not necessarily, I could tell you that I do not want to put any rules and regulations over the people that I give money to get the work done, but I do need to have somebody telling me the truth of what the work that I'm doing is actually accomplishing goals. And so, it doesn't necessarily have to be within the burden beyond the ones that we're giving funding to, but it could be a thing take outside to say, this is what at the end of the day, you're accomplishing, right? Because if the bottom line is your goal, then I think the mission statement on the website should say, this is my mission, is the bottom line.

Joshua Stallings: Sonya, Tony, Joe, and then we'll move on to the next step.

Sonya Mays: So, I think I want to push a little bit harder on this point that Donald raised just because something is difficult to measure, sort of give an organization or a system a pass at an attempting. And in a former life, I was a Wall Street investment banker, so I have more than a passing familiarity with banks and with capital markets. And banks are really in the business of measuring. I mean, this is sort of classic. You can't manage what you can't measure. And whether it's risk or bottom line, I mean it's just innate to a bank and to the banking system to measure. And so, I just struggle to understand why that same philosophy, approach, process can't be applied to impact. And no, I don't think that we'll ever get a perfect measure in a discreet point of time of the range of impact.

Sonya Mays: But let's face it, there is almost no system that has greater visible and hidden impact on individuals lives in the banking system. And so, I agree with Donald, there should be some attempt to capture some portion of that, right? Start small, start here, figure out what should be a goal in affordable housing that is beyond just impact maybe something that gets at a community level. So, I just would push back a little bit that I think that if there is a system that is really good at measuring and measuring complicated arcane things, it is the banking system. So, I've just pushed back on that a little bit.

Tony Lentych: I told you I came with questions. This was my second question when I started-

Joshua Stallings: Your microphone.

Tony Lentych: Sorry. I thought I had it done already. This was my second question for you guys. When I started at the Traverse City Housing Commission, there was some controversy in turnover with the previous director, and I've quickly found out that we were a high performing public housing authority. And guess what? Nobody cared. The mayor didn't care. The city commission didn't care. The community didn't care. But I had a gold star from HUD. And the question I wanted to ask you is, can you have a high performing federal home loan bank that's totally irrelevant to the communities it's supposed to serve? And that's the point of this part of the conversation is can you make the federal home loan banks matter in those communities by asking these kinds of questions?

Tony Lentych: I know it's difficult and I know they can't serve everything to everybody, but this is kind of changing things. I quickly abandoned the need to try to please HUD and started trying to please our community and start building addressing residents needs in a different way and all that kind. I think it's possible. It's not easy. I don't think necessarily that I'm the model for that, but I really do think this is something you as the regulators have to ask that question, can you just exist and get a good pat on the head from Washington, D.C. or can you help be part of the challenge?

Joseph Reilly: There's a lot of research out there already on the benefits of affordable housing. Kids do better in school, kids are healthier. The stability of a home of a base to call home is beneficial to families. There's a lot of research out there that already supports that. I'm not suggesting that we need to reinvent the wheel here. There are ways to look at the work that we do and connect the dots to the mission impacts without saying we need to recreate an entire measurement system. There's some of it that's out there. I would say that the Harvard Joint Center for Housing Studies has done this type of research. There are others as well. So, there's data out there that supports the benefits of the positive impacts of the work that we do. We can always improve upon that, but there is a base to turn to before we say, "Okay, we're going to start from scratch." There's work out there, there's data out there, and we can use that.

Amy Bogdon: All right. Thank you. Now we'd like to move to discussing the products and services the banks might offer. And we wanted to start by getting your thoughts on where are these opportunities to increase Federal Home Loan Bank support for certain either market segments or member types? And to the extent possible, if you could be specific, suggest either specific products or strategies. Linda, would you have some thoughts on that?

Linda Smith: I was sitting here thinking, well, in Detroit, we work with First Independence on the nip. And so, when I reach out to other members of the Federal Home Bank, they're not doing the NIP because they don't have the staff to provide the work that takes place. So, for us, it would be how can we get them the help that, not necessary staff, but it's a lot of backdoor operations that have to take place. And if we can connect with them, there are other CDCs in Detroit that could work with them, and we could train them to provide what we do. And it's for Federal Home, I'm sorry, First Independence Bank, they do the gifts, not to talk about what happens there.

Linda Smith: But we do all the other work. And it's been working for 15 years, so it's been working for 15 years. And the way that we look at measuring, we have stories, we share stories with Indianapolis of some of the success, some of the homeowners that have received the grant, which prompt the gentleman to get a roof. And today he's got a fence. He's did siding. All he needed was a jumpstart to get started. And so, I would say one of the products is trying to get some of your other members, and I'm not sure how their approach to do the NIP or the other, the HOP or whatever, the programs are getting more involved because the need is there.

Linda Smith: Whatever the programs are; getting more involved because the need is there and holding them accountable as a member of the Federal Home Bank, what are you giving back to the community?

Amy Bogdon: I like that question. Yes. Timothy?

Timothy Ha: Yeah, we truly value the idea of cooperative partnership because as I mentioned before, sponsors, members, and FHLB are like... We have to create that cohesive alliance to meet the customer needs and then trying to make a difference. So, I think that is kind of a partnership that we are pursuing and trying to generate greater outcomes.

Timothy Ha: One thing that I want to add is that application... Just as Christine mentioned, that application process, yes, it requires some resources and then some of our allocations for local community bank that not only just the AHP registration, but also there's the AHP application and a NIM hop application that we need to spend time on to apply. Hopefully, we can have that more streamlined, a shortened application process, to process efficiently. I'm not trying to compromise any regulatory or the compliance requirements around it, but at least we can take a look at it trying to how to just... I mean, shorten it or the streamline the application process.

Amy Bogdon: Thank you. Joe and then George.

Joseph Reilly: With regard to affordable housing loans, be consistent across the system. If one can get comfortable with it, presumably the others should be as well. And I think that you can play a role in making sure that they're comfortable and that any one particular decision is acceptable. I've said this before, I'll say it again, unrated tax-exempt private placement bonds. I think that's the low hanging fruit for you at this point. Allow that to be used as collateral, same risk profile as what you're already accepting. Increase the advance ratios. It's very difficult for CDFIs to raise capital and we have to be very, very careful about how we use that capital. The more we use up on any one particular transaction, it's a zero-sum game. We have less to use on something else. It's hard for us. We don't have a deposit base and I acknowledge we don't have FDIC insurance either, but the credit risk is acceptable.

Joseph Reilly: Longer terms. Long-term capital is good for affordable housing. It's good for the residents. It promotes the stability of quality ownership over a period of time. Longer terms. And while the term subordinate loan may raise some concerns on tax credit deals, there can still be an opportunity to provide subordinate financing to the first position loan, which is still ahead of a substantial amount of equity, which comes in through a low-income housing tax credit investment. I think you should take a look at that as well.

Joseph Reilly: So those are four areas where I think that you can focus on. It's expanding what you already do a little bit. These are not bold changes, I don't think. It's a recognition of what's already out there, what's being done, what can be done, and expanding your comfort zone as to what would be acceptable at the end of the day.

Amy Bogdon: Thank you. George and then also, just to expand your thinking in this area, are there types of loan products that could be offered but aren't? George.

George Collins: I think this is the question that you provided us ahead of time that also had the parenthetical without changing the resources very much, which I take some exception to. I think that is a really necessary component for the banks going forward. I hear what Joe was saying and we sat over lunch too, and he has a lot of really tangible ideas that make a lot of sense, but I think the impact of them would be pretty marginal.

George Collins: They might move the dial a little bit, but I don't think they're going to have a significant impact on how community banks work with the affordable housing community and work with the home loan banks to make a significant difference. I think a significant difference is achievable. And maybe I shouldn't steal your agenda from you, Amy, and Joshua, I don't mean to at all, but can you leapfrog beyond tweaks to advance rates of 75 to maybe 78. I mean, does that do anything or do you want 95?

Joseph Reilly: 95.

George Collins: 95. I thought, yeah. Yeah. We'll see if-

Joseph Reilly: Directionally yes. Anything that you can do directionally-

George Collins: Is helpful.

Joseph Reilly: Can improve them. It makes a difference. You're absolutely correct that the difference between 75 and 78 is not going to move the needle. It has got to be more substantial than that. But the bonds, I would say those are larger transactions that can have greater impact and there are a lot of them out there.

George Collins: Right. Right. We saw that a little bit back when I worked in Boston. So, I would just raise that, and I won't go any further than that right now to just say, is it incremental? Is there anything that we're just missing that is just sitting on the table and can be seized or do you need to think differently?

Amy Bogdon: Okay. Donald and then Kristen.

Donald Rencher: Sure. So, I was thinking about this and not even thinking about the money that the city has dedicated to ensuring that our Litech projects work with increased construction costs. We spoke about earlier about increased interest rates. But right now, a hundred million at Misha for missing middle, a $100 million, also dedicated from Misha for 50% AMI projects and also permanent supportive housing, $150 million that just was passed recently for GAP products for Litech projects that are going to start putting GAP to pass through projects, which is the first time they've done that since I've seen and worked with MSHDA. Money provided to 9% and also their 4% preservation direct loan program. I think the question to me is with that influx of money is like what the Federal Home Loan Bank of Indianapolis is going to do to come into that space and be effective and help those projects move too, that's differently than the normal GAP money that you provide.

Donald Rencher: Because right now, to me, with the money on the table, I think that people are thinking through how we can address those gaps for those projects. So, what's the next financial tool that you can bring to the system, I think, would be important. When I talk to regular everyday developers, Black and brown developers, it's a lot of assistance as far as products for about guarantees, interest rate buy downs with the interest rates being so high.

Donald Rencher: The city of Detroit started the Detroit Housing for the Future Fund with... I see. Yeah. So, the Detroit Housing for the Future Fund where we fundraise for gap money and also just low interest capital. And that product is almost running out. We need more and we're going to start pushing to get more of that funding. But that product you could tell was desperately needed within the city of Detroit for sure. So just thinking through outside the box because I don't know if the normal products that you have, especially with the influx of funding and we're going to be chasing more money for GAP for MSHDA, and MEDC has a wrap program where they're providing additional funding for development projects as well. So, it's like where do you all fit in with the changing landscape based on the additional inflow of government funding coming in to help projects move forward.

Amy Bogdon: Okay. Thank you. Kristen? And then Tony.

Kristin Faust: I love Donald's question that he just asked because one thing I would say is I do think that there still is untapped potential to work even more closely together with the housing finance agencies. MSHDA is the Michigan's Housing Finance Agency, WEDA in Wisconsin, Indianapolis, Indiana, HFA, because there is this huge amount still of federal dollars coming in. And so, we don't have the specific answer right now, but it's a new landscape, so maybe it does need something different. So that's one thing is to work more closely and have more conversations with the HFAs.

Kristin Faust: I also think we're... There are grants and there are loans, right? They're both needed and some are to the members. But I do want to say we do have a fundamental housing crisis in this country and still the fundamental need to make all that housing happen is grant money. So, your core AHP grant money is really, really important. But with cost... Literally, we just did a survey construction between the cost of materials and labor, 30%, 35% cost increases over the last two and a half years. And that even includes some prices coming down again. So, for the same amount of AHP dollars, you're going to get fewer units created or rehabbed. what does that mean?

Kristin Faust: While I think new loan products are really important, and I'll leverage off of one last one idea there. I do just want to highlight one of the beautiful things about the Federal Home Loan Bank system is that they do allocate 10% of their earnings into AHP and these grants that are so desperately needed to make our projects work, tax credit projects and other types of projects too. So, I just want to acknowledge that.

Kristin Faust: And then last, and I know you have heard this at some other round tables because I know Chicago raised this, but we too see it, which is the example that Sonya gave about. She's having trouble finding financing. She wants to do 30 lots and 30 houses all at once. How does she get her financing for that? Maybe she is having more and more trouble finding a bank that would do it.

Kristin Faust: It sounded like you were saying. So, I do think there are opportunities for the Federal Home Loan Bank to think about credit enhancements. How do you get the banks? How do you get your bank members to make that loan? There's an opportunity there to create some credit enhancement products because sometimes there is a risk of real loss, but sometimes there is just the perceived risk until the first house sells and the appraisal does come in where you need it, and all of a sudden what you have that credit enhancement for is not needed because it did appraise out. And so, products that are around credit enhancing, I think, are something to be looked at and how to leverage the Federal Home Loan Bank's strength there.

Amy Bogdon: Yes, thank you. And I did not mean to limit it to loan products but trying to think about the core business rather. Certainly, we understand the value of the grant programs. Yes. Tony.

Tony Lentych: So, this is an area where I get a little confused on what Federal Home Loan Banks are allowed to do by statute versus what you allow them to do with your agencies; the oversight. For example, in Michigan and several other states, public housing authorities, we can issue our own bonds, but nobody would buy them the way they're statutorily written unless we had some sort of partner.

Tony Lentych: But I'm not sure if credit enhance... I don't know if some of these technical things that we're talking about today are allowed under the authorizing language for Federal Home Loan Bank. So, I think that's important to keep bringing up so that we understand where the real barriers are because advocates can start doing some of this as well.

Amy Bogdon: Well, please keep making suggestions because even if it isn't, we can make recommendations too.

Tony Lentych: Yeah, exactly. I just want to make sure that I'm conscious of that and I just want to make sure I've always limited myself to what they're authorized to do and not what I have to ask Congress to do.

Tony Lentych: I would also just point this out. It's important to realize when we are working with the Federal Home Loan Bank in out in the field and what we do, they're often just a part of the operations of a development deal, part of the capital stack on some level. I can't emphasize enough that no matter what we do for the future, just makes sure that it fits into the existing programs and plays well with others because that's the worst-case scenario. There is no place for any of us who do affordable housing. There is no one window, and I said it earlier, to go and get all your money to do your whole deal by itself. You have to have a whole bunch of people in there.

Tony Lentych: And it's nice when some people know they're going to be subordinate in advance or some people are going to be just there to assist in advance. Finding a role for the Federal Home Loan bank system, whatever the program is, make sure that it just fits into that system overall because it would be a shame to try to do something that doesn't actually help. It might look good on paper, but if it's not in the reality of our world, we would be just wasting time.

Amy Bogdon: Thank you. That segues kind of well into the next question. I was going to say, is there a role for pilot programs or are there drawbacks? Anyone? George, you want to...

George Collins: Yeah.

George Collins: I think I remember in a recent round table; the idea of pilot programs was dismissed as way too timid because it takes a long time, and the need is urgent now. So, I think that's something that should be taken into consideration as it relates to pilot programs.

Amy Bogdon: Okay. Timothy, then Kristen, then Linda.

Timothy Ha: Well, I'm speaking of a pilot program. I mean, I rather want to see that the pilot program or a tweak to the existing program because the project that I mentioned, it doesn't really perfectly fit into the existing FHLB products because a bank, being a developer... I mean, there's no preceding case that the bank was a developer coming into this AHP projects. So, we want to see that whether it is FHLB looking into that, trying to tweak, how they can modify the program or kind of consider creating that new pilot program to see if this one is actually working. So that's kind of what I'm envisioning for the pilot program or tweak to the existing products.

Amy Bogdon: Thank you. Kristen?

Kristin Faust: So, when I hear pilot program, I basically just think of it as a steppingstone for innovation because you have an idea, you see a problem, and you see a challenge. For example, we're trying to grow African American, Latino homeownership in Illinois and Wisconsin.

Kristin Faust: We know that home mortgage counseling and certified home mortgage counseling and all that goes with that can be very beneficial to helping families who might typically not have access to homeownership, didn't grow up maybe in a home that was owned by their family. And so, Home Loan Bank of Chicago, there's a pilot program where they're funding the two housing finance agencies so that we can fund housing counseling agencies.

Kristin Faust: And this is something that they're doing out of their voluntary funds. But to us it's a pilot and it was presented as a pilot because we're trying it. We know there's data out there that says counseling matters. Does it work? Are we going to move the needle? How do we measure the outputs and the outcomes? But that would be part of the valuation too. So, I think if you want to continue to stay close to the unmet credit needs of your community and continue to think about new ways to do that, you have to have pilot programs because what's the alternative to say it's a long-term program, but it's something new. You have to experiment and evaluate.

Amy Bogdon: Thank you. Linda, then Donald.

Linda Smith: Yeah, thank you. Two things I would like to say to that. If other Federal Home banks are doing pilots or experience... Are they shared among the other members so that...? Perhaps it's working in Chicago. We would love to have that in Detroit. What's the process? How does a pilot project get brought to the table? Is it a format where one of the banks think of it and someone votes on it? The board and all?

Linda Smith: So, when you say pilot projects, I have a lot of questions around how do you structure a pilot program because we would love to help with the home buyer education and more counseling or other ideas of how do we help educate potential homeowners? What happens in pre-counseling? Again, I'm not asking Federal Home Bank to be counselors, but I think there's a role they could play perhaps with supporting some of the groups, especially if someone is getting a loan through. I know they have to do the home buyer education, but what's that pre and the after? So, looking at some of that as a pilot. Because I don't know what the default rates are as far as people making mortgage payments but sharing that could turn into a pilot program with the support of those necessary tools.

Amy Bogdon: Thank you. Donald. And one question I actually do want you to think about that I will be getting to in a couple of minutes is do any of the banks currently offer products and services that maybe could or should be scaled to the broader system?

Donald Rencher: Yeah, and I would love to hear... I love to do a good pilot program. As long as we are bringing data-based solutions and it's based in, as we said, outcomes and really understand the purpose that you're trying to achieve.

I think it could help... I mean, I don't know how... I mean, I'm not trying to give it a period in which it has to be impactful or effective, but you should be able to measure if the pilot is working and if you need to do it at scale. Because I also would tell you, we have a housing crisis, and everything is needed now.

Donald Rencher: Linda talked about the 500 people who want the repairs and they're in a line outside the door. There's an announcement of a repair program in the city of Detroit and we received a hundred thousand calls. So, it's needed. And your dollar, no matter how much you give, is not addressing the situation. So, if you're talking about a pilot program to figure out how we really, organizationally wise or strategic-wise improve our system to better provide the products to the people that we're trying to serve, I'm all for it.

Amy Bogdon: Tony?

Tony Lentych: Two things. Pilot might not be the right word that I'm about to talk about, but maybe expanding a program to change some parameters can make a huge difference. And I'm going to speak specifically about income. They seem to really limit income levels to the lower end of the spectrum. That's my wheelhouse. I don't have a problem with that, but I also know in Michigan the minimum wage is $10.10 an hour. I don't know any jobs that actually have that as their starting wage. Where I am, it's over 20-some dollars. And so, you're automatically at an entry level job, almost at that threshold of being ineligible for tax credit, certain levels and the lower 30%, stuff like that. So, if there could be some relief or some new thinking on that because your AMI isn't... I don't want to say it's artificial, but it's a lag.

Tony Lentych: It's based on previous data, and it doesn't catch up fast enough as some of these economies are heating up. So, if there's ability to experiment with that.

Tony Lentych: The other area which I think needs to be addressed is supportive housing for mentally ill people because not only that is another national crisis, affordable housing at all income levels and then housing for people with those kinds of special needs really need the deepest subsidies and almost have the ability to have a minimal loan. If there could be a way to figure out ways to invest in that or a real patient equity piece, perhaps that might be something of unique. So, it's maybe not a pilot, but experimenting with the capital stack with those.

Amy Bogdon: Thank you. What other services could the banks provide to members? Perhaps things like trainings, events, opportunities to share ideas. What other things could the banks do? So beyond just the loan products, the financial products are there... I think a few of you had some suggestions in your comments. So, I will... Joe if you want to start this.

Joseph Reilly: For CDFIs, I think you could do some training which would be beneficial and would strengthen your CDFI members. I think you could do training on things like asset management, asset liability management, cybersecurity issues, financial policies, procedures, and things that would make them stronger organizations. It seems to me that you have the wherewithal to do that and put together some training that would be helpful to strengthen the members, which would allow them to bring more business to you.

Amy Bogdon: Any other thoughts? Are there areas where the banks are uniquely qualified to provide technical assistance? You've provided things like asset management, asset liability management, cybersecurity, and several others. Any other areas? We can keep thinking about it.

Amy Bogdon: So, I wanted to get back to, I think the issue we started to touch on before about do any of the individual banks currently offer products or maybe several banks currently offer products and services that might be scaled? So, there are things like providing direct support to community development, financial institutions, or community development loan funds, or other types of products too.

Joseph Reilly: Okay, here I go again. Some of the banks already accept unrated, private placement bonds. I think you should be consistent across the system.

Kristin Faust: Those are all for tax credits?

Joseph Reilly: Yes.

Amy Bogdon: And just as you're thinking about this also, what ways could the banks support greater information sharing about promising products and services? Whether it's things that have been effective... Again, all markets aren't the same. Something that works in one place may not be suited to another market as much. I think, Linda, you had made some suggestions. I think about the... Was it the Cleveland Housing Network?

Linda Smith: In Detroit, there are eight community development corporations that are coming together to address some of the vacant homes in Detroit and we are lacking capital. So again, I think that is looking at those types of projects that are going on in Detroit that needs more financing that perhaps Federal Home could take a look at and see how they could be involved. That would be a... Because right now I can't think of anyone who's doing that or looking to do it to make that investment other than the city or MSHDA in that.

Linda Smith: But we really would like some more patient capital to help us get this up and going. It's a great model. So, what I'm saying is for the Federal Home Bank to look at some models that perhaps could happen in Detroit. Sonya mentioned what she's doing around affordable housing and again with the CDFI involvement, taking a risk on funding some of those projects.

Amy Bogdon: Okay. Any other thoughts on that one? We have heard from multiple commenters about the regional focus of the system, and I would be interested in getting your thoughts on that topic. Sonya, do you have any thoughts on the regional focus on what it means from your perspective?

Sonya Mays: I touched on this a little bit earlier. My organization really intersects with the Federal Home Loan bank system directly with the AHP grant program. And I spoke earlier about how challenging it has been to maintain a relationship with a member in the regional bank system. So, I imagine that... So, this is an area where I don't have a lot of expertise beyond that one particular program, but I imagine that there are trade-offs that have to be considered between the regional approach versus more of maybe a national footprint, which might make the barriers to entry a little bit lower for organizations like mine with respect to that one program.

Amy Bogdon: Okay. Linda or Tony, do you have thoughts in this regard about the regional focus?

Linda Smith: My involvement is right now the NIP program. Because we've been doing this so long, we figured out how to work with the Federal Home Bank and this year... I mean, it has been a couple of years. It has been at 7,500 per household. This year it has gone up to 10,000 because they recognize the cost of doing business materials for the home repair. There was an increase and it's just not the same as it was two years ago for a roof. So that was a big help to understand that this year they went up to 10,000.

Amy Bogdon: Okay. Tony? Or Kristen?

Tony Lentych: Obviously, the rationale for how the banks were set up, and I use the word outmoded based on population back in the day. I don't have a recommendation on how to fix that except just to acknowledge that the problems this causes when financial institutions merge or get acquired and we have to then go to a different... Apply to Des Moines or Cincinnati or Pittsburgh. It has been difficult sometimes.

Tony Lentych: One of the projects that we were involved in through voucher placement was having to deal with a whole different set of rules that this particular Federal Home Loan Bank had and was imposing on the member institution. So, it's not necessarily the footprint as is I'm kind of glad that the way... And I just pointed out at our lunch. We have Pittsburgh, Cincinnati, Indianapolis, Chicago, all in a row within a day's drive of each other. But the upper Midwest is also... We have some of the greatest needs for redevelopment. We have all kinds of different issues. So, we do need some attention on that level, but consistency of program implementation might be better than for someone like me to try to tweak those boundaries. It would be great if it didn't matter which Federal Home Loan Bank, you're actually applying to, if it was more consistent on that level.

Amy Bogdon: Yeah. Kristen?

Kristin Faust: Well, I'm listening to Tony and Sonya, and I hear the challenge. I guess... And I think there might be different ways to address that. I just strongly believe that community development means people living in that community, identifying what they want for themselves in that community, and then other actors like some of us coming in and helping them achieve that.

Kristin Faust: The same way that I also think that the lending institutions, financial institutions involved in that community development effort, the closer they are to the ground, the more likely they are to make a wise and safe and sound and beneficial credit decision. So that's why I think the regional aspect of... I think you go to business school or policy school, and you come in, you look at that map and you're like, "What is this? There is no other... What other organization in America has the country divided up like this?" I mean, I get that.

Kristin Faust: In America, it has the country divided up like this. I mean, I get that, and I think that's true. But I don't like the alternative, which I would think one alternative, which would be to consolidate.

Kristin Faust: And now, maybe working through different Federal Home Loan Banks depending on where you are. I think that already happens a little bit, that might be a solution. But just the idea that, "Oh, the answer is to consolidate and standardize everything and then it's easier and neater," I don't think that's true when you're talking about community investment and community development.

Amy Bogdon: Timothy?

Timothy Ha: Yes. I think that it's FHLB structure like a issue because, I mean, FHLB System Banks, they have a public purpose like AHP and then a funding for the member banks, however, that FHLB is a privately capitalized and they do not receive the federal funding. So basically, they're just running for their own standalone like institution, but they are the umbrella of the FHLB System.

Timothy Ha: So, I think, Tony, that is a really good example because when I work at the bank under FHLB Indianapolis and then merge to another bank, and then the charter changed to, I work with FHLB Des Moines. Des Moines does not have a NIP, HOP, AMP program, so we cannot use that program. But there's tons of customer calling us, "Can we apply this? We did it last year, how come you're not doing it this year?" So that's kind of confusion and then the resources that we are wasting because of the change of the FHLB charter membership.

Timothy Ha: I think that's the systematic issue. But I mean, just like you mentioned, that if there's some consistency or overarching structure, I think that that issue can be overcome. The regional effort, I think that FHLB in the Detroit office is quite intriguing. I mean, standpoint of the financial, it is a huge investment. Maybe that the overhead causes a huge to their balance sheet and P&L, but I think that closer proximity, the presence is really that prominent.

Timothy Ha: And then that's why that from the local community bank perspective that we are trying to use at the local appraisal, like local authoritative and local like a people, trying to know that the true value of where you present and then trying to find out the needs from the communities.

Amy Bogdon: So, picking up on that, are there other opportunities to strengthen the bank's connection to the communities in their districts? And how might they also support local agencies responsible for housing and community development? Depending on where you're working in the system, you may have different perspectives on that. Donald, do you have thoughts on that?

Donald Rencher: Sure. I saw your eyes glancing over at me. So, I think you guys have done that with the city of Detroit, with starting the office and pointing out, again, Anna Shires being in that office. And like I said, I think it's extremely important to understand, and not every city's the same and every community is the same.

Donald Rencher: But for the city of Detroit for example, there is a strategy that we are trying to follow. And we're hoping that the strategy that we're putting forward, and I think we've done a pretty good job of this announcing what the strategy is, telling people where we're investing all of our infrastructure dollars and additional funding, where we're going to be putting that funding in into, and what type and what do we want to see with an understood planning effort.

Donald Rencher: But it's there to also give the banks a pathway to understand exactly how and what they should be lending and giving their time to and their resources, and so we hope, and we want to do that. When you have a bank that's on the outside, it's really, really difficult for them to understand that process. And so having a local person who is ingrained into what we're doing every day is just hugely instrumental to the work. And we're hoping to connect with her more on additional programs that we're trying to do, but I think it can't be undervalued on how important that relationship is.

Amy Bogdon: Tony, did you have any thoughts on that?

Tony Lentych: Yeah. I know you allow, when there's a natural disaster, some waving of rules and regulations to be able to get involved right away. Maybe not something that's not in the plan that's been filed or what have you.

Tony Lentych: And I would simply think that there should be some flexibility for kind of small P politics kind of stuff because things change quickly at every state level with a new governor or with a new legislature. There could be money showing up that we need to be able to react to pretty quickly.

Tony Lentych: And I don't know how you implement that in a regulatory environment obviously, but there should be an ability to say, "Hey, things just completely changed in this part of our world, and we need to be able to be a partner."

Amy Bogdon: Okay, thank you. Sonya?

Sonya Mays: I'm not sure if what I'm going to say now is responsive to this question or if I'm actually going to take us back to this more general question of what are some products and services that would be useful in community development.

Sonya Mays: So later this year, I believe I will be announcing a project with our local government agency in which my organization is going to pilot homeownership for 60% AMI Detroiters. And this is in Detroit, at least. And I imagine in many other communities, this is a particularly difficult income level to service for homeownership. And it's even more complicated in Detroit because this particular housing product that we're going to use as a renovation product.

Sonya Mays: And so, I find myself spending a lot of time thinking about how you put someone in an affordable home situation, not just day one, but make it sustainable over time. And one of the biggest obstacles is really sort of the ongoing maintenance of these older homes.

Sonya Mays: And we expect that the sourcing for these homeowners are going to come directly from our existing LIHTC portfolio. So, we're going to take existing renters and figure out who's ready to make this leap and then move them into this homeownership opportunity.

Sonya Mays: And as we're kind of mapping out the sequence of this pilot program, organizationally, we keep coming back to this notion of how we turn this away from just, it's a pilot, but it'll be a few people who kind of win the lottery. But how do we turn this more into something that's programmatic across our rental portfolio?

Sonya Mays: And one of the ideas that we keep coming back to is a little bit tried and true. It's this idea of a resident equity program. It can take a bunch of different forms. It can be savings accounts. As an organization, we would be more than happy to return a portion of rent or a portion of net income at the property level to individual renters if we knew those accounts would be designated for wealth billing activities, right? Homeownership or something else.

Sonya Mays: There is this huge administrative burden that is sort of difficult to overcome in that. And I just sort of find myself wondering if the Federal Home Loan Bank, if there wasn't sort of a product that could be designed that would be a little bit more plug-and-play where you can just drop a bunch of accounts into a rental apartment community, the owner would fund portion of it, maybe there'd be some small matching portion from member banks.

Sonya Mays: And so, in response to your question around are there some other areas of community development that provide an opportunity? And I do see this sort of wealth building at the rental community level as a place of untapped opportunity, but it's tricky because a number of partners kind of have to come together to make that work. I do think that technology has lowered that administrative hurdle in looking at something like that. And I just found myself wondering if this isn't a place for innovation.

Amy Bogdon: Interesting, thank you. Donald?

Donald Rencher: Yeah, and so am I. Also, my one last point just on having the local presence, which I think is important, but I do think, often, the flow is one way. It's like, "Here are the products we offer you," and then we look at the local person, we say, "Hey, great, this is how you can fit in."

Donald Rencher: I want to know if we can give a voice to that local person to bring products back up and solutions and innovation, back up to you guys to say, "Well, this is what actually the community needs." And so there can actually be a change in what the overall umbrella thinks about what they can do for communities. I just wanted to push that out.

Joshua Stallings: I can go ahead and answer that one. Yeah, absolutely. Put it in the written comments, send it in.

Donald Rencher: Okay.

Linda Smith: Sorry, but that was my question. I'm sorry. Where's the input to have those discussions? I mean, how do you start them? Do it at the local Federal Home? Is there someone that's similar?

to a risk, a person who will hear and say, "No, we can't."? Just, what do you do with that information? So, is it part of the comment? I think maybe that's the answer when it's time for comments, you put them there.

Joshua Stallings: Yeah. I mean, I'll just functionally try not to jump into this conversation too much or it becomes a question-and-answer for me. But we do have the comment period that's part of this process that's open right now that I would recommend that anyone that has very specific ideas that they're seeing in their community, things that could be helpful, that their Home Loan Banks could do, anything that could be sent in on that front would be great. Obviously, the Federal Home Loan Banks all individually have their own mechanisms for taking in that feedback as well.

Linda Smith: Okay, thank you.

Joshua Stallings: Yep.

Timothy Ha: I mean, just wanted to add, I'm not working for FHLB, but I'm kind of talking about FHLB System. I think that there is a scoring requirement and a metrics, how to change, how to evaluate the needs from that community and the members.

Timothy Ha: So, I think that if you coordinate with your contact at the FHLB, the System Bank, they are kind of just trying to evolve within the system that how they change the scoring requirements and then some of the metrics because they're just updating that AHP and then the related grant program on an annual basis.

Amy Bogdon: Okay. Well, we've asked you a number of questions and I know at least one of the things that we've asked you is sort of what new ideas should FHFA consider? And either what is the single most important change you recommend or what are essentially new ideas that we should consider?

Amy Bogdon: And I'd sort of like to give everyone a chance at this, and I guess if we could start again at the end with Kristin and we'll go around the table, but feel free to interject if you have comments on one another's. So, Kristin?

Kristin Faust: It's hard because it's changed now that I've had this three-hour dialogue. First of all, I just think what you're doing today is really important, the listening. You're doing it from the national level. I think our individual Federal Home Loan Banks through the Community Investment Advisory Councils and through other mechanisms, they're out there listening.

Kristin Faust: We're running a Supportive Housing Institute trying to grow the number of typically nonprofit developers that do that housing for people at 30% AMI that need supportive services. And at one of our presentations, there was a member of the Federal Home Loan Bank of Chicago staff listening in, learning, hearing what the needs are. I mean, that was all really great.

Kristin Faust: But what somebody said here, which is more than ever this affordable housing finance system that we have, ecosystem that we have, no one entity can act alone. And Donald talked about now more federal dollars and that will eventually go away, but there'll be something else.

Kristin Faust: And so just continuing to understand how you fit into this bigger affordable housing finance ecosystem, like when the AHP deadline is in Illinois versus when we do our Low-Income Housing Tax Credit application and awards to that timeline, even just that is sometimes hard to... We've worked at it, but I guess today, right now, I'll say continuing to understand that role and so that means listening, participating, and constantly trying to listen to more unmet credit needs.

Amy Bogdon: Thank you. Tony?

Tony Lentych: So, we often sit here, we're talking about the financial plane of the Federal Home Loan Bank System, but one thing we did today, which I was very glad about, we started talking about the people we serve.

Tony Lentych: But the third thing, and this is of concern of mine, of late when I speak to groups, cautionary area, is how many of us are actually spending time with the output itself? What are we investing in? What is being built? What does it look like? How are decisions being made on delivery of that product?

Tony Lentych: Because it wasn't that long ago, we did value engineering at the end of a project to save money. It seems to me, and Donald's comments that were submitted in advance, brought up skyrocketing costs of construction material and labor.

Tony Lentych: We are starting with value engineering, and so we don't have anywhere to go if it gets in trouble. And so, from the financial side of things, how do we play in that realm? And I think it's important for people who aren't used to being on construction sites and seeing when these decisions are made, get there, see what the output is during construction, at the end of construction, see what decisions were made, and make sure that we are fulfilling our duty to provide quality, affordable housing at every level.

Joseph Reilly: I don't think there's any one initiative that you could undertake that would solve the Affordable Housing Crisis, but I do think that some of the things that we talked about today could contribute to the overall challenge that we face.

Joseph Reilly: I think that local involvement is very important because the markets do vary, and the issues and the challenges do vary from place-to-place. I think it would be helpful to hire some community development lenders locally. I think that it would be helpful to bring experienced local community development professionals onto your boards.

Joseph Reilly: I think that local input could be helpful to develop new ideas about what should be done locally as opposed to nationally. I do think that you need to have sort of a hybrid approach. There are certain products that should be consistent across the board, but then there should also be the flexibility to respond to local needs.

Joseph Reilly: I think you should not be afraid of CDFIs. Work with us. We do good impactful work, and our missions are completely aligned here. We may disagree on things, but at the end of the day, an open dialogue, I think, should produce some results that will be positive at the end of the day.

Amy Bogdon: Thank you.

Linda Smith: On that line, I'd like to see member banks come together with the community, similar. I think there are opportunities that the member banks may not know that's available to partner with some of the developers in Detroit that are doing work, nonprofits, for-profits, whatever it may be. But I think some type of...

Linda Smith: And maybe that's a measurement too. What is the bank doing? What has it done in the Michigan-Indiana market in getting them more involved rather than just being a member of Federal Home Bank? Meaning understand some of the challenges that we just talked about today and how they can play a role in it.

Amy Bogdon: Thank you. Donald?

Donald Rencher: Right. So, I think I definitely beat the drum on focusing on outcomes and so I won't go there, but I would just say alignment, right? I see a lot of duplication of efforts and just, for an example, the pick out on one of many of your programs. The NIP program, for example, which Linda does an amazing job in.

Donald Rencher: City of Detroit has dedicated 200 million for rehab and repair. And we know other entities right now that have dedicated upwards of $25 million to it. It's like, how do we all come together? The funding should probably be just together in how we move forward in alignment and how we move forward so we can be impactful.

Donald Rencher: And also, I would say it's really important to invest into a policy team if you're a financial institution. Who's your person, who's helping you think outside the box? And really, look at innovative solutions that are happening around the country.

Amy Bogdon: Thank you. George?

George Collins: It's nice to hear and I think I agree with the sentiment around the table that what the Home Loan Bank does is good. It's helpful to the communities. My question back, and I know I'm not supposed to ask questions at this stage of the round table, but is why not ask for more if this amount is good, is twice as much better, three times as much better?

George Collins: And I don't think that that's an unreasonable request given the current state of the housing markets and given the mission of the Home Loan Banks. So, I would encourage that question to be asked today going forward, and it doesn't necessarily need to be money, but it could also be risk taking.

George Collins: So, the banks, as I said, don't take a whole lot of risk because that's not what we're in the business to do. And isn't it possible for the banks to take more risk and accommodate a lot of the good ideas that have bubbled up throughout today's discussion without causing consternation from management or the boards or the regulator?

George Collins: And I think there are, but you need to think of a different way of going about covering that risk. So, the banks have a huge amount of retained earnings now. It doesn't cost anyone to allocate a little bit of what are perceived to be risky activities until we learn more about them.

George Collins: So that's almost a free check to accommodate something that's innovative and moves in the right direction. So those will be my two takeaways from today's session, which I think was very helpful and look forward to it progressing.

Amy Bogdon: Thank you. Sonya?

Sonya Mays: Well, I certainly support the idea of making the pie that's available to affordable housing and community development larger. So, I think that's an excellent suggestion.

Sonya Mays: Keeping with that, I would continue to advocate for the exploration of capital tools that are needed in communities that maybe are too risky for individual member banks to take on. Kristin took this idea to one natural landing place that is perhaps getting involved in credit enhancement that would allow those scarce capital tools to be brought forth in community. And then I'll land on something that's a little narrower than that. This is specific to Indianapolis Federal Home Loan Bank.

Sonya Mays: I believe that there are some regions for the AHP application that allow points for in-region applications. And that is not the case currently in this region. And so, it effectively penalizes those of us who have projects in this region and so that it's done differently in different regions. I'd sort of ask for maybe sort of a policy position or some analysis on the pros and cons of that particular decision.

Timothy Ha: First of all, I would like to thank for FHFA to arrange this roundtable to exchange views from that subject matter expert from the diversified at the segments in our area.

Timothy Ha: Before I joined this roundtable, I thought, I mean, FHLB Indianapolis is doing tremendous job. There's nothing to talk about for their products and services, but I kind of noted that there's some room for improvements and then hopefully that what we discuss can be reflected into your future FHLB System Banks.

Timothy Ha: I learned a lot today because we talked about really field level and at micro level, but just one comment about this macro level. I mean, the FHFA is a regulator for that FHLB System. One example I noted is that when I switched it over to FHLB Des Moines, that there was a cannibalization of the FHLB System because FHLB Des Moines, the number one borrower from the advance of the Wells Fargo.

Timothy Ha: Wells Fargo has a very high advanced amount. But at some point, in time, when there's a lot of liquidity in the marketplace, Wells Fargo, we paid at all the advances that they have, the FHLB Des Moines. Obviously, revenue stream came down and indeed that impact is actually going to the AHP, that budget, because they have 10%, revenue went down, AHP, that budget was really went down and then it was like a race to get that AHP funding. When the window opened, everybody jumped in. By the time the smaller institution trying to get that AHP funding, the funding was not available.

Timothy Ha: So, I think that that's kind of a systematic issue again. But if there's a way that you can think about how to make the AHP fund available for the greater cause, that might be serving the mission statement of the FHLB System Bank, that provide the liquidity to the member institutions to support the financing, housing, and community investment.

Linda Smith: I'd like to add one small thing, share best practices from across the region. I mean, I always look for opportunities that maybe something is working well somewhere else and bring it here. So, looking across the footprint to see if there's anything that we could bring to our region.

Joshua Stallings: Absolutely.

Linda Smith: Yeah, thanks.

Joshua Stallings: So, in closing, let me start by saying thank you to everyone for coming today and sharing your thoughts. I know some of you had walked across the street, some of you drove several hours, some of you took a flight, and I appreciate you making that effort to come and join this discussion.

Joshua Stallings: As everyone knows, we've been kind of on a bit of a road show with this. We still have several more roundtables coming up, but we also have a listening session that will be held from March 22nd to 24th for anyone to get their kind of last final thoughts in, if anyone wants to participate in that or knows anyone that they think should participate in that.

Joshua Stallings: We also are currently taking written comments. So, I would encourage anyone that has any more detailed thoughts on things that the Federal Home Loan Banks and the FHFA should be considering. I would encourage you to also submit it through that avenue as well. All that information can be found on our website.

Joshua Stallings: Let me also give a big shoutout to the FHFA team behind these efforts. I will tell you that you're looking at me and Amy today, but there are countless hours that have gone in to round up participants for these panels. I know all of you have dealt with at least two or three of the people in the back of the room. We also have people back in our office in D.C. that are doing tremendous work to make these things happen. So, thank you to all of them for that.

Joshua Stallings: And with that said, I just will finally kind of conclude, which is one more thank you for your time today and for all the thoughts that you gave us. And the one thing I can commit to you is that we will take it all into consideration, so thank you all very much.

Linda Smith: Thank you.

Kristin Faust: Thank you for the opportunity.