

The Honorable Sandra Thompson  
Director, Federal Housing Finance Agency  
400 7<sup>th</sup> Street, SW  
Washington, DC 20024

Dear Director Thompson,

The Federal Home Loan Bank of Dallas (FHLB Dallas) Affordable Housing Advisory Council (AHAC) appreciates the opportunity to participate in the critical conversation regarding the future of the Federal Home Loan Bank (FHLBank) System. To help inform the dialogue, we are pleased to share our knowledge and perspectives regarding FHLB Dallas' community investment programs and how they are working to meet the needs of households and communities across the Ninth District, the District served by FHLB Dallas.

The Ninth District includes five states: Arkansas, Louisiana, Mississippi, New Mexico and Texas. Like each of the 11 Federal Home Loan Bank (FHLBank) districts, it is unique in terms of population size, demographics, diversity, economic drivers, history and geography, characteristics that also vary from state to state. Broadly speaking, the Ninth District includes large rural expanses with population concentrations in a few large cities. The region is racially and ethnically diverse, with an aging population in several states and a relatively high percentage of people with disabilities.

Incomes are comparatively low, and housing affordability is a challenge. FHLB Dallas' District contains four of the 10 states with the highest poverty rates, according to the U.S. Census Bureau. Mississippi, Louisiana, New Mexico and Arkansas have the first, second, third and sixth highest poverty rates, respectively. When you include Texas, the District as a whole contains 196 federally identified Persistent Poverty Counties, or 38.5 percent of all Persistent Poverty Counties in the country.

The AHAC's role is to advise FHLB Dallas' Board of Directors (Board) and community investment staff regarding the needs and priorities for affordable housing and community investments across the Ninth District – to inform annual funding priorities for the FHLB Dallas' Affordable Housing Program (AHP) and the voluntary programs the bank has created to address specific regional needs. Our 13-member team offers a depth and breadth of experience and expertise in affordable housing, community and economic development, mortgage finance and supportive services – and we share the Federal Housing Finance Agency's commitment to promoting affordable housing that is equitable, sustainable and resilient.

Any rules or directives contemplated by the FHFA related to the community investment activities of the FHLBanks should take into consideration expected revisions to the Community Reinvestment Act (CRA). Members' use of community investment programs is dependent on their ability to use them to meet their CRA requirements.

Fundamental to our ability to address District needs is a deep understanding of the FHLB Dallas region. This is informed in part by our work as housing and community development professionals representing each state in the District and by our relationships with FHLB Dallas members – local lenders who are acutely aware of their communities' strengths and challenges and who have the financial expertise and access to FHLB Dallas funding and other resources to effectively address community needs.

Our understanding is also enhanced by extensive third-party research and analysis. Two years ago, FHLB Dallas engaged the National Low-Income Housing Coalition (NLIHC) to conduct the *2020 Housing and*

*Economic Development Needs Assessment for the Ninth District.* The assessment combined quantitative analysis with a survey of members and community partners to create a comprehensive view of housing and economic conditions across the District and provide critical feedback regarding FHLB Dallas programs.

FHLB Dallas used the NLIHC's analysis to help define its funding priorities for 2021, 2022 and 2023. These priorities focus on meeting the needs of low- and very low-income households in urban and rural areas, including seniors and those with disabilities, as well as ensuring funding availability for disaster recovery and rebuilding.

FHLB Dallas community investment funding – for AHP and the voluntary community investment programs – is disbursed through its members. As described below, the results have been highly impactful for the communities, households and individuals who are the ultimate beneficiaries of these programs.

### **Affordable Housing Program (AHP)**

Since the AHP's inception in 1990 through 2021, FHLB Dallas has provided \$344.6 million of AHP subsidy to help with the construction, rehabilitation or purchase of nearly 60,000 units of affordable housing – including approximately 33,000 units of affordable rental housing, 24,000 of which serve very low-income households. In addition, the subsidy helped to fund assistance for households impacted by natural disasters and construction of homeless housing, housing for those recovering from drug and alcohol addiction, and housing for seniors and those living with HIV/AIDS.

AHP is funded by 10 percent of the FHLB Dallas' annual earnings. It includes the competitive AHP General Fund and three homeownership programs -- Homebuyer Equity Leverage Partnership (HELP), Special Needs Assistance Program (SNAP) and Disaster Rebuilding Assistance (DRA).

#### *AHP General Fund*

Through the AHP General Fund, FHLB Dallas provides subsidies of up to \$750,000 per project to fund affordable housing for very low- to moderate-income households. The AHP subsidy is a primary source of gap funding, used to fulfill the project's capital requirements. It also provides initial project funding used to leverage larger grants or low-income housing tax credits. Regardless of its funding purpose, FHLB Dallas members and sponsors often attest that their projects would not have succeeded without the AHP funding.

From the program's inception in 1990 through 2021, housing providers have leveraged \$287.1 million from the AHP competitive program to invest more than \$3.9 billion in affordable housing development to create 49,709 units of affordable housing. Approximately 66 percent of these units were rental, and 34 percent owner-occupied.

Reflecting current funding priorities, in 2021, FHLB Dallas awarded \$18.5 million in competitive program funds to 26 projects creating 2,113 units of housing including 1,587 very low-income units.

By regulation, the program is restricted to serving households earning 80 percent or less of area median income, and awarded projects are subject to long-term monitoring and reporting. While the AHP Final Rule of 2018 accomplished much in the way of improving the AHP and creating new flexibility in the AHP

General Fund via the expanded Bank District Priority, some aspects of the AHP can continue to be streamlined and less onerous. The Dallas AHAC favors a targeted fund with adjustments to the current rules governing the fund that won't create significant limitations on its use. In addition, the current regulation is silent on expanding the AHP Targeted Fund in size in subsequent years. It only addresses adding additional AHP Targeted Funds to an FHLBank's community investment portfolio. In our view, this inhibits FHLB Dallas' ability to be truly impactful with a Targeted Fund.

### *AHP Homeownership Programs*

*The Homebuyer Equity Leverage Partnership (HELP)* assists low-income first-time homebuyers earning less than 80 percent of area median income with down payments and closing costs. The requirement that recipients complete a homebuyer education class helps to ensure their successful transition to homeownership once they purchase their home.

From program inception in 2002 through 2021, FHLB Dallas has awarded approximately \$32.9 million of HELP funds to enable 5,662 first-time homebuyers to purchase their homes.

In 2022, FHLB Dallas increased the HELP subsidy to \$11,000 from \$8,500 for member-originated mortgages to help first-time homebuyers challenged with rapidly rising home prices.

*The Special Needs Assistance Program (SNAP)* provides funding to income-eligible homeowners needing assistance with home repairs and modifications: roof replacements, wheelchair ramps, widening of doorways, installation of walk-in showers, electrical work and the like.

Since being established in 2009 through 2021, SNAP has provided more than \$22.8 million to assist more than 4,000 of our region's most vulnerable homeowners, including the elderly, people with disabilities, people living with HIV and AIDS and other special-needs populations.

*The Disaster Rebuilding Assistance (DRA)* program helps qualified homeowners repair or rebuild homes destroyed or damaged in a natural disaster. FHLB Dallas formed this program in 2018 to support its members' employees and the communities impacted by Hurricane Harvey. Recognizing that FHLB Dallas members are essentially first responders – helping to meet their customers' funding needs while managing their own recovery – FHLB Dallas prioritized funding for members' employees, with additional funding allocated to the broader communities impacted by disasters.

Since its inception in 2018 through 2021, DRA has contributed nearly \$2.6 million to repair or rebuild 205 units of housing.

### **Voluntary Programs**

Outside of the AHP, FHLB Dallas has several voluntary programs funded outside of the 10 percent AHP allocation that have centered on some of the critical needs in its diverse District. These programs address District priorities for housing, community investment and economic development that are outside the scope and regulatory constraints of the AHP. As such, these programs provide the bank with greater flexibility to more quickly respond to unique regional and local needs. We have been impressed with not only FHLB Dallas' dedication to the creativity in which it addressed unique challenges, but also the dedication to maintain these voluntary programs over long periods of time as you will see below.

*Small Business Boost (SBB)* is an economic development program providing financing for qualified small businesses. SBB funds are provided as a secondary, unsecured loan in conjunction with a loan made by the participating member institution – filling the gap between the member financing and the amount of the loan request.

SBB funds can be used for the startup or expansion of a small business, including building purchase, land acquisition, construction, equipment, working capital and other related uses. There are no repayments due on the SBB loan in the first year of the loan, which helps to improve the small business' initial cash flow.

From its inception in 2019 through 2021, SBB has provided \$8.9 million in loans to support 976 jobs and 133 businesses. In 2021, \$3 million in SBB loan assistance went to 47 small businesses, of which 46 percent was provided to woman-, minority, and/or veteran-owned businesses.

*Housing Assistance for Veterans (HAVEN)* helps to fund necessary home modifications for eligible disabled veterans and service members or home repairs or rehabilitation for eligible Gold Star Families. Under a new pilot offering, HAVEN is also helping eligible veterans, service members and Gold Star Families purchase their first home, providing households with up to \$10,000 for down payment and/or closing cost assistance.

Since its inception in 2011, through 2021, HAVEN has provided \$945,000 to 106 veterans and seven Gold Star Families, who have used the funds to ensure their homes are safe and accessible.

*The Partnership Grant Program (PGP)* complements the AHP by providing grants for small community-based organizations (CBOs) – funding they can use to increase their outreach and operational capacity and extend the impact of the dollars the AHP contributes to these organizations. The grants, which match member contributions on a 3:1 basis up to \$12,000 per member, are also designed to promote and strengthen relationships between the receiving organizations and FHLB Dallas members.

Since its inception in 1996, FHLB Dallas has awarded \$8.5 million in PGP funds to support 491 CBOs. In 2022, FHLB Dallas awarded \$400,000 in PGP funds, matching members contributions of \$158,985 for a total contribution of \$558,985 to 38 CBOs.

#### *Other Rapid Response Initiatives*

With its proximity to the Gulf of Mexico, the FHLB Dallas District has experienced its fair share of hurricanes and the flooding that often ensues. Wildfires, ice storms and tornadoes are unfortunately not uncommon. As such, FHLB Dallas has a long history of responding with funding for disaster relief.

Disaster relief funding comes from a variety of FHLB Dallas programs, but it's important to consider their combined impact. For example, in 2005, the bank contributed \$5.1 million for Hurricane Katrina relief; in 2017, \$6.7 million following Hurricane Harvey; and more than \$4 million after Hurricane Ida in 2021, which included \$2.5 million in Hurricane Recovery Grants and \$1 million in charitable contributions to food banks and relief organizations. This funding assisted 1,643 homeowners and renters who suffered property damage, 173 small businesses, and 36 CBOs. FHLB Dallas also activated disaster relief funding after the May wildfires in New Mexico and made a \$200,000 charitable contribution to the Village of Ruidoso and a \$50,000 charitable contribution to the North Central New Mexico Economic Development District to support housing needs of those impacted by the wildfires.

FHLB Dallas’ response to natural disasters also provided relevant experience for its rapid response to the COVID-19 pandemic. In addition to providing \$8 billion in advances, the bank expanded many of its community investment programs:

- Providing \$1 million in donations to food banks and schools
- Expanding the SBB cap to \$225,000 per member
- Adding \$2 million (above the original \$300,000) of PGP funding and expanding its uses to assist nonprofit organizations responding to COVID-19-based needs or otherwise responding to the pandemic. The bank also increased its match of member contributions to 5:1 from 3:1 and raised the maximum per-member funding cap to \$30,000 from \$12,000. The additional PGP funds helped 99 CBOs via 63 members

In addition to implementing program changes, FHLB Dallas staff supported these efforts by hosting educational webinars for CBOs and members on how to access this funding.

We invite and encourage you to read the brief project profiles accompanying this letter to learn more about the specific use and benefits of the affordable housing and community investment funding FHLB Dallas has provided. These examples illustrate the bank’s support of affordable, sustainable and resilient rental and owner-occupied housing for very low- to moderate-income households for a diverse array of communities across the FHLB Dallas district.

Living and working within the FHLB Dallas District, AHAC members are keenly aware of the growing need for affordable housing and community investment – both regionally and nationally. We appreciate that it is appropriate and timely to consider the options for increasing available funding and streamlining our own delivery mechanisms and processes. But as we do, we underscore the importance of recognizing what is working.

While AHP is vital to FHLB Dallas’ mission, expanding the required allocation to the existing AHP program will inhibit FHLB Dallas’ ability to creatively address District needs. Any changes to the FHLB System or the AHP, however well-intentioned, should not subtract from the AHP’s success in providing sustainable, resilient affordable housing or dilute the FHLBanks’ ability and flexibility in creating and supporting the voluntary programs that help us more effectively respond to the unique needs of the households and communities across our region. The Advisory Council favors putting more funds into the voluntary activities of the bank.

Respectfully submitted,

The Federal Home Loan Bank of Dallas Affordable Housing Advisory Council

  
Tim C. Pierce (Oct 19, 2022 17:32 CDT)

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(Signature)

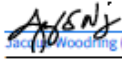
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Tim C. Pierce


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Executive Director

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Chris Monforton (Print Name) President & CEO (Title)

Charla Blake (Signature) Project Build a Future (Institution)

Charla Blake (Print Name) Executive Director (Title)

Nicole Martinez (Signature) Mesilla Valley Community of (Institution)

Nicole Martinez (Print Name) Executive Director (Title)

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Jim C. Petty

Jim C. Petty (Oct 20, 2022 21:14 CDT)

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Calvin R. King, Sr.

Calvin R. King, Sr. (Oct 21, 2022 16:53 CDT)

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Executive Director

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## **Project Profiles included in listening session talking points; 2 more to be included**

### **FHLB Dallas Community Investment Project Profiles**

#### *Les Maisons de Bayou Lafourche, Lockport Louisiana*

In 2020, FHLB Dallas, working with its member Home Bank, awarded a \$280,000 AHP subsidy to Gulf Coast Housing Partnership for this \$11 million rental project. Designed to withstand hurricane-force winds and flooding, the buildings were put to the test before construction was completed when Hurricane Ida struck the Louisiana coast in August 2021. Despite extensive damage to area homes and businesses, Les Maisons de Bayou LaFourche remained relatively unscathed.

#### Unit mix:

- 35 units, configured as duplexes and triplexes: 28 units for households at 50 to 60 percent of AMI, six market-rate units, and one manager's unit
- Five units for residents with mobility impairments; three for residents with sensory impairments
- Residential preferences for veterans, individuals with disabilities, and seniors

#### Major funding sources:

- LHC CDBG-NDR award
- 4 percent tax-credit equity
- Permanent debt

#### *Ohkay Owingeh, New Mexico*

Located in an underserved area in rural northern New Mexico, Ohkay Owingeh, population 6,748, is one of the largest Tewa-speaking pueblos in the country. It has existed for centuries with some homes over 700 years old. FHLB Dallas worked with two members to award several subsidies to the tribal housing authority to support affordable rental and homeownership:

- A \$300,000 AHP award in 2021, will provide down payment assistance to 30 tribal households purchasing their first home. The new-construction homes are part of a \$6.8 million development intended to encourage tribal members to remain on tribal land and maintain the viability of this historic pueblo.
  - Major Funding Source:
    - AHP
- A \$310,000 AHP award in 2001 supported the construction of Tsigo Bugeh Village, 40-unit affordable rental apartment development that opened in 2006. The award leveraged an additional \$4 million in total construction financing for this multifamily housing.
  - Major Funding Sources:
    - LIHTC
    - NAHASDA
- A \$104,000 AHP subsidy awarded in 2020 helped fund the third phase of Tsigo Bugeh Village, which comprised eight units in two buildings, each with four one-bedroom, one-bath apartments for small families and seniors. This \$1 million project will help to address a serious shortage of one-bedroom apartments in the area for low-income tribal households.



- Major Funding Sources:
- ICDBG

*Siler Yard Arts + Creativity Center, Santa Fe, New Mexico*

In 2019, FHLB Dallas working with its member Century Bank, awarded a \$650,000 AHP grant to New Mexico Inter-Faith Housing for the development of this \$17.4 million affordable housing complex, providing live-work apartments for creative professionals earning less than 80 percent of Santa Fe’s area median income. It is New Mexico’s first multifamily, net-zero energy project. The first-of-its-kind development is providing comfortable housing, economic support resources and a sense of community for local artists, dancers, artisans, actors and culinary artists.

Unit mix:

- 65 live-work units for artists earning less than 80 percent of AMI

Major funding sources:

- FHLB Dallas AHP subsidy
- Low-income housing tax credits
- 40-year, Section 221(d)(4) HUD mortgage
- City of Santa Fe
- Solar tax credits
- Charitable donations

*Northtown Pharmacy, Jackson, Mississippi*

In 2021, FHLB Dallas and its member BankPlus provided financing for this independent, minority-owned business in one of Jackson’s underserved neighborhoods. A \$100,000 Small Business Boost (SBB) loan from FHLB Dallas filled the gap between the amount of the loan request and the amount of the loan BankPlus provided.

Because SBB loans do not require the borrower to begin repaying the loan until after the first year, the new business owner was able to purchase the building for his pharmacy and maintain a capital cushion for his first year of operations.

Funding sources:

- FHLB Dallas \$100,000 SBB loan
- BankPlus financing

*Leslie Haynes, Gold Star Widow, Jacksonville, Arkansas*

Leslie Haynes became a Gold Star widow when her husband Rodric, a U.S. Army veteran whose 20-year military career included three tours in Iraq, died in 2009.

When her roof began to leak, Ms. Haynes turned to Survivor Outreach Services (SOS), an Army program that offers support, information and services to surviving families of fallen soldiers. SOS referred her to FHLB Dallas member, Arvest Bank, where she learned that, as a Gold Star widow, she could qualify for a

Housing Assistance for Veterans (HAVEN) grant from FHLB Dallas. Arvest Bank helped her obtain a \$10,000 grant to pay for her new roof and remove mold found growing in the crawl space of her Jacksonville home.

Funding source: FHLB Dallas \$10,000 HAVEN grant

### *Hurricane Harvey Recovery, Texas*

Following the devastating impact of Hurricane Harvey in August 2017, FHLB Dallas committed \$6.7 million in disaster recovery grants and \$825,000 in funding for charitable causes. Through its partnership with 97 FHLB Dallas members, FHLB Dallas rallied to help 173 small businesses, 25 community-based organizations, and 598 homeowners recover from this natural disaster.

The assistance included small business recovery grants. One of our members utilized \$200,000 in FHLB Dallas' \$2.25 million provided for small business recovery to assist 15 Houston-area businesses. These small businesses included a dog kennel, a tire service center, a speech therapy office, a tax service and restaurants, among others. The funds were dispersed quickly and, in some cases, made the difference between keeping employees on staff and paid or laying them off, which was especially meaningful for businesses that had temporary closures due to flooding or hurricane damage.

Learn more about some of the businesses that received grants in [this video](#) and what it meant to their businesses.

Funding mix from retained earnings:

\$4.5 million to homeowners

\$2.25 million to small businesses

\$225,000 to community recovery