FHLBank System at 100: Focusing on the Future Roundtable Discussion – Los Angeles, CA - 02-15-2023

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

LaRhonda Ealey: Good morning, and good afternoon, for those who are watching us on live livestream on the East Coast. Welcome. My name is LaRhonda Ealey, and I am a Senior Economist and I am joined by my colleague, Chris Bosland, Chief External Risk Officer at FHFA. Let me extend a warm welcome to our round table participants, and to all of you who are watching along on our livestream. This is the second of eight in-person round tables we are convening in 2023. Our discussion today will focus on the role, or potential role of the Federal Home Loan Banks System in supporting affordable housing and community development and financially vulnerable communities.

For the benefit of those joining us for the first time, today's round table is a part of the Federal Home Loan Banks System at 100, focusing on the future initiative. More information, including the video recording and transcript of today's and past events can be found on our website. I would encourage you all to visit the website and learn more. While our round table discussions are comprised of a small group, we are live streaming the discussions, so that we can reach stakeholders and extend this reach to as many potential stakeholders as possible. We also believe that it is critical to get out of Washington DC, to give us an opportunity to meet constituents, and hear about local, as well as regional issues and topics, and additional concerns that are shared on a more national basis. As we've conducted these round tables, we've definitely identified regional and local differences, as well as many parallels. We look forward to the discussion today, and feedback we will receive as we continue this initiative. Let me turn it over to Chris, who will review the rules of engagement.

Chris Bosland: Thanks, LaRhonda. Good morning, everyone. I'm Chris Bosland, as LaRhonda said. I'm very much looking forward to today's panel. We've had a number of panels on different disadvantaged communities or underserved communities and what the Home Loan Banks can do there, but as we were talking with the group beforehand, all communities are different, and so, we have a distinguished panel with a lot of diverse experience, so I think we're going to have a great discussion today.

But first, we got to get the administrative business out of the way. We're looking to have an open and engaging conversation, so nothing should be off limits. Please don't feel constrained by the current state of the law or statute, excuse me, or regulation, but we will have to touch and come down to some degree of reality at some points, but in terms of getting your best thinking, please, if it's not something that's necessarily likely to pass Congress today, that's fine, we'd still like to hear it. We do want the discussion to be orderly and collegial, so we're going to ask that if you want to get in, you turn your placard to the side so LaRhonda and I will call on you, and we'll go around each in turn. So, to make sure we all have a chance to speak, if somebody's going on a little long, we may have to nudge you and ask you to jump in, and we'll direct the conversation elsewhere. Please use the microphones in front of you, the green light when you're speaking, particularly for the live stream, it's helpful. They need to have the green light. If your neighbor's not using, feel free to nudge them and put on the green light. We will have a break halfway through, so to regroup and take a break, and finally, for the benefit of those on the live stream, the participants were given a set of discussion prompts, which we'll be referring to periodically through today's discussion. Now, to make the lawyers happy, we also have a disclaimer that we need to make you all aware of, and of course, I'll read this verbatim, so don't shoot me. It's their fault. "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 of 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. 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 thereof." "Anything said in this meeting, and that also includes reactions, nodding, eye rolling, shrugging, 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 businesses. As LaRhonda mentioned, today's round table will be live streamed on FHFA's website, and video recorded. FHFA may also prepare a 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." We need to hire those radio people. That's just way too long, and with that understanding, I'll turn it back to LaRhonda.

LaRhonda Ealey: Thank you, Chris. Chris and I had a chance to meet with our round table participants before the official start of the round table, but to make sure that everyone watching knows what amazing stakeholders and knowledgeable stakeholders we have at the table, I'm going to ask that you all each introduce yourselves, and state your affiliation with the Federal Home Loan Banks System, whether it be in your current capacity or former capacity, as it applies, and we will start with Robin Hughes, and work our way around.

Robin Hughes: Good morning everyone. My name is Robin Hughes. I'm the President and CEO of the Housing Partnership Network, a National Membership Association representing multi-family rental developers, homeownership developers, and CDFIs. It's a relatively new job, all of eight months. But for 27 and a half years, I ran Abode Communities, based here in Los Angeles, now a statewide affordable housing developer architecture and property management firm. And for multiple years, probably about 10 years ago, I was on the Affordable Housing Advisory Council for the Federal Home Bank here in San Francisco, and chair for a very short period of time.

Debbie Chen: Hi, everybody. My name is Debbie Chen. I'm the Director of Real Estate Development at Little Tokyo Service Center. Little Tokyo Service Center is a 40 plus year old community development organization and social service provider. We have received several AHP funding sources in the past for several of our projects, and some of our staff have also been members of the Affordable Housing Advisory Council.

Carol Galante: Hi, my name is Carol Galante, and I'm the Founder of the Terner Center for Housing Innovation at UC Berkeley, although I am representing myself today, and not UC Berkeley or Terner Center. I have a long background, a little bit like Robin's, in housing development and finance. I ran a Bridge Housing Corporation for 13 years, and was there longer than that, and was also on the Federal Home Loan Bank Advisory Committee of San Francisco, and I was also, in my past experience, a federal housing commissioner in the Obama administration. So, I have a number of relationships with the Federal Home Loan Bank.

Lori Gay: Morning, I'm Lori Gay. I'm the President and CEO of Neighborhood Housing Services of Los Angeles County, and I might be a little different from some others this morning, I realized, because I'm a current member of the Federal Home Loan Bank of San Francisco Board, and just entered my third year there. So, learning, growing, trying to figure it out. So, I think this session is timely, right? So, you get two perspectives from me this morning, and I'd just say that NHS is 38, and we've been blessed to be the region's largest affordable homeownership provider, and a CDFI. Thank you.

Monica Mejia: Good morning. My name is Monica Mejia, and I'm the President and CEO of ELACC. ELACC is the East LA Community Corporation, and we're a 27-year nonprofit based out of East LA, Boyle Heights area here in Los

Angeles. Well, for myself it's mostly accessing AHP funding, and then years ago, I did ownership funding as well. So, I've been accessing funds from the Federal Home Loan Bank for many years. And then also, our work at ELAC in involves a lot of small business counseling, micro businesses. We actually have a teeny tiny little lending product of 2,500, and we work with small businesses trying to grow. We access other loans through CDFIs, and we do first time home buyer counseling. So, there's a lot of opportunity for us to talk about how to help people access credit.

Tiena Johnson Hall: Good morning, everyone. I am Tiena Johnson Hall, and I'm the Executive Director of the California Housing Finance Agency. CalHFA is a self-supported state agency whose charter was specifically designed to create financing and support programs for low and moderate income home buyers, as well as folks who would like to rent a home, and we also have a focus on social equity, which we feel is very important here in the State of California. In my past, I was a banker for, oh gosh, nearly 30 years, but started out in the affordable housing development space. That's where I got my start. So, I have a unique perspective of being on the lending side of it, the public side of this business, as well as the nonprofit side of this business. In that capacity, I've had the pleasure of working with four Federal Home Loan banks, because I've not only worked here in the State of California, but also in Texas and the East Coast, which brought in a relationship with the Federal Home Loan Bank of San Francisco, Dallas, Atlanta, and Philadelphia. So, now that I'm working in the HFA space, I hope to impart some wisdom around what HFAs do in relationship with Federal Home Loan Banks today.

Ashley Thomas III: Good morning, Ashley Thomas. I am the Vice President of the National Association of Real Estate Brokers, often called NAREB. I have been serving there for a few years now. NAREB is an advocacy organization that fights for democracy and housing. We were founded in 1947, so we are in our 75th year. So no, I'm not one of the founders, as you can tell, but my role at the organization is legislative affairs, government, establishing policies, and advocating for those policies. I also am a real estate and mortgage broker, have been in the business on the front lines for approximately 23 years now, so I'm happy to be here. We do have a great relationship with the Federal Home Loan Bank of San Francisco as an organization, and continue to work on bringing community support.

LaRhonda Ealey: Thank you all for sharing just a snapshot of your extensive and very impressive resumes that we are aware of. Before I jump into the first question, I just want to re-emphasize again that Chris and I are here to guide the discussion, to give you some prompts, but again, this is your discussion. This is for us to take back and process your feedback, your input. Again, no ideas are off the table. We encourage you just to share.

So, I'll start with, for a broader topic, homeownership experiences in the communities that you serve. Again, the point of us conducting these round tables within the various Federal Home Loan Bank districts and regions is for us to get a better understanding of the local issues and challenges, as well as these may apply regionally. So, before we get into the Federal Home Loan Banks specifically, we would like to get a better understanding of the housing ecosystem that you are experiencing as it relates to the communities that you serve when it comes to housing. So, I want to acknowledge upfront, we understand that when we are talking about financially vulnerable communities, there is great diversity in that. But what are some of the key issues and challenges that you are facing as it relates to housing? And I'll start with Monica, but again, as if any of you want to chime in, please turn your placard vertically so that we can call on you. But Monica, again, can you just outline some of the issues that the communities that you serve specifically are facing?

Monica Mejia: Well, for housing in particular, my community is extremely low income. About 34% of the folks in the communities are at the poverty level, and 60% of them are rent burdened, and about 30% of them are severely rent burdened. So, they're paying over 50% of their income on housing. And we have a lot of overcrowded housing situations and bootleg units, we have a lot of dilapidated units, and one of the worst things that I see is unscrupulous landlords, and that's the part that breaks my heart.

So, in the City of Los Angeles, we have a form of rent control. It's called the Rent Stabilization Ordinance, and sometimes unscrupulous landlords do what they can to try to force the tenants to leave. They turn off their utilities, they turn off their electricity, they turn off the gas. I know a family that has had no utilities for four months, and that's just in addition to tons and tons of deferred maintenance, and basically, these landlords are trying to capitalize on the market. They're trying to capitalize on their real estate, and that capitalism causes a harm at the same time, right? So, and the harm is to the tenants, who have to work with those situations. And so, it's something that systemically here, and what I'm looking for in LA County and LA City, and preferably statewide, are tenant protections that protect them from unscrupulous landlords that take advantage of them. But that that'll kind of give you a picture of the hardships that are there. The hardships are there in particular for large families. My community in particular, we have a lot of intergenerational households, so it's kind of fun. You get to live with your aunt or your grandparent, and so, there is a need for intergenerational housing, and then because we're kind of crowded as well, we also need green space and we need cleaner air. So, the community has a need for development that addresses all those needs, and nobody ever picks one or the other, they usually pick them all. All the needs are out there. So, that's kind of a summary.

LaRhonda Ealey: Okay, thank you. Debbie, do you mind sharing?

Debbie Chen: Sure, I'd be happy to share. So, Little Tokyo Service Center, so we've been around about 40 years, but Little Tokyo, the neighborhood has been around far longer than that. I think we are among the oldest of neighborhoods in Los Angeles, especially ethnic neighborhoods. So, if you look back to the turn of the century, 1900, at some of the historic blocks in Little Tokyo, these areas were teeming with life. There were three story walk-ups, a sumo gym, a Japanese hospital. Little Tokyo was truly a bustling, in every sense of the word. During World War II, Japanese Americans were forced into internment camps, and actually, a side effect of that was a lot of property was lost and taken from little Tokyo residents and owners. And in the subsequent years, the '60s into the '70s, more land was actually taken by the City of Los Angeles and government entities, as part of a urban renewal period, and a certain civic center master plan and expansion plans. So, if you look around at some blocks of Little Tokyo today, you can see acres and acres of surface parking lot, and very recently in 2021, little Tokyo Service Center, in partnership with a local nonprofit, Go For Broke National Education Center, which pays tribute and keeps alive the legacy of the American veterans of Japanese ancestry of World War II. So, we actually got full site control of one of these three acre blocks in Little Tokyo, and we're looking to build over 200 units of all affordable housing. We're building more than 40,000 square feet of community serving commercial spaces and facilities, and there's a reclamation of the property that's going on there. LTSC came about in the '70s. The residents living in Little Tokyo were predominantly Japanese immigrants, seniors. There's actually a large amount of affordable and senior housing in the neighborhood, and that was the clientele that we served. Over the years, there have been a lot of families of color, Black and brown families that have also moved into Little Tokyo as well. So, our neighborhood is really a lot more diverse and low income than folks realize it is. So, we really aim to serve those communities of color, both within Little Tokyo, and throughout the City of Los Angeles over the years.

LaRhonda Ealey: Thank you. Would anyone else like to jump in? Yes.

Ashley Thomas III: So, in terms of the challenges that we see locally, I think access to capital is a huge barrier in terms of homeownership. As we look at obviously, from recent news inflation, but since 2012, we saw an increase in housing prices, but we did not see the same increase in terms of wages, which really out prices many people out of the marketplace. So, while you're trying to save for a down payment on a home, the home is constantly moving, so the target is moving, and then if you need down payment assistance, in many cases, the programs are designed to charge higher interest rates to access that capital, which in makes it even more challenging to purchase.

And then just to add another challenge that we've seen, is many of the properties were being sold on in bulk auctions, bulk sales, and that further restricted availability and inventory issues. So, a lot of the community was not able to take advantage of low interest rates as a result, because the competition was too high. And so, if you didn't have the cash to pay over the price during that time, you were also hedged out of the market place as well. And so, what we've noticed, I represent, live and work out of South Los Angeles, South Central Los Angeles area. There were investors that purchased homes, and left them vacant. So, while the home deteriorated, it's still appreciated in this marketplace that we created. So, you can purchase a home, allow it to basically fall apart, not allow a family into the property, even on a tenant situation, and it's still almost doubled in price since 2012. So, I think those key points are very important barriers that we have to look at and address.

LaRhonda Ealey: Thank you. Lori?

Lori Gay: I think I'd really say a loud "ditto" to everything Ashley just said on the real estate side. We see it as a mission-driven broker, and all that means is our fees never kill a deal. So, there's lots of deals that have no fees, because there's just no money left. And I think what's key is that families come in, they'll have the 3% down that all the specialty programs have been allowing on the underwriting side for some time, but as the market's gotten out of control on the price side, that's all they have, and if they then want to access products, like Ashley was mentioning, those are priced differently. There's just not enough subsidy in the region to help families of modest means get where they need to go, and the products are not changing, in terms of allowing people who are more moderate to middle income to join, and in every neighborhood, we need flexible, mixed income neighborhoods. That's what helps an economy thrive in the community. So, when we pigeonhole depopulate, and repopulate with 80% AMI or below as a sole target, it's a problem. When we repopulate, which is a word many of us are using now, with families who are yuppies, puppies and chuppies kind of thing, everybody who's an urban professional that might be coming in with a higher income. The challenge becomes we lose the integrity of the community. Systemic and structural racism matters, and we cannot avoid it. George Floyd being murdered made us all become more awake than we've ever been, but are we losing ground again? And I think that that's problematic. When we look at the data, we don't have to all reprove it, we don't have to all restate it, but people of color have not made the same strides. And then what happens is people start fighting within color groups, about which group is worse and which group is better. It frankly doesn't matter. No one is close, and there's not equity. So, I think that this town and many others in our region are no different than many other urban spaces, but what we continue to see is our price model in California's a mess, right? And in the San Francisco Federal Home Loan Bank, that territory that includes Arizona, Nevada, while pricing might be a little better, the systemic issues are the same, and those are the things I think we continue to overlook. How is it that predators are able to make more loans than some of our bankers? We've got non-bank mortgage companies and others making more loans than big banks and member banks. So, I think these are questions that have plagued us for decades and generations. The only way we change it is to stop doing the same thing, and expecting a different outcome. We have to do game changer work. Thank you.

LaRhonda Ealey: Thank you. Robin, then Carol.

Robin Hughes: Yeah, so a lot of ditto to what Ashley and Lori has said. So, I'll try not to repeat, but maybe amplify some of those things, and I'll start with again, HPN represents member organizations who are working in their communities, and some of these things exist in all communities throughout our country. So, I'm sort of reflecting what we're hearing from our members who are doing homeownership development, lending, all of those things. So, I think we continue to have discriminatory practices in underwriting, which definitely impacts the rate in which people of color can get into homeownership. So, we're seeing shifts, especially among our CDFI members, of not requiring an appraisal because once a person walks into a house or a community, it impacts how the appraiser approaches appraisal.

We've been pushing for utilizing your rental history to apply to your credit score. That's another way in which you get, in particular, people of color build up their credit and get them into homeownership. And even just credit score overall, education around that and how it's impacted, are issues that really are impacting people of color getting into homeownership. I don't want to underemphasize this access to portfolios. We are finding that our members are not able to compete with this private investment, and going out to buy these large portfolios of single family homes that are then either held vacant or held as rental. So, we're losing that ownership housing stock to a rental housing stock. And so, if we had a different access to capital that could play in that space of securing these large portfolios, that would be of significance.

We've seen it the same when HUD has its note sales. Having the capital available to go in as non-profit organizations and buy those assets, and then sell them as homeownership, I think is a really critical issue. And then on the mortgage product side, absolutely, we're not seeing wages increase, we're seeing interest rate increase, we're seeing value increase. So, getting to that point of having a down payment, it's a big struggle. So, it's their down payment resources, our members are talking about coming up with 100% LTV loan products, but they need the capital behind that to support it. So, those are some of the things that our members have been exploring.

LaRhonda Ealey: Thank you. Carol?

Carol Galante: I guess I want to say ditto to everybody, but I want to add just one layer on top of all of what has been said, which is part of the challenge, at least on some of the hot West Coast communities, maybe changing a little bit post-pandemic, and tech companies' layoffs, but is lack of supply. So, many of these, not all of these, because the racial systemic issues does not relate to this, but some of the other issues of price appreciation, and being able to hold properties, that type of thing, is partly because we don't have nearly enough supply in California, where millions of homes, both rental and homeownership short, and so, it's a musical chairs. The people at the bottom of the income spectrum have the least options, so our homeless, unhoused people is severe, and the stock of affordable homes for middle income people is severe. There's just a lack of it. So, we have this huge pressure on the existing homes in every way that's been described, and part of that is because we are not allowing enough homes to be built at a cost, because it's also extremely expensive, which is a secondary outcome of a shortage of lots of things, labor, et cetera. So, I do think we've got to tackle the supply issue, as well as the subsidy and access issues, because otherwise, we're just going to be continuing to subsidize more, and more, and more, to get less.

LaRhonda Ealey: Yeah. Thank you. So, along those lines, the next question or prompt that I want to go into is related to financial institutions in your communities. What are they doing or not doing to promote the homeownership goals? And I'll start with Lori. She's already turned her card. Start with Lori. Awesome.

Lori Gay: [inaudible 00:30:42]. We postponed a lending collaborative this morning, and encouraged them all to join in on the listening session today, but what happens is no one wants to lead, and we've been talking about CRA for my whole career, 30 plus years, and it's changed formats a number of times, been threatened all the time, but in the end, good practical lending where people can repay, is what we need in our communities. And so, I think the banks struggle because they don't want to be first in, they're risk-adverse, and when we come up with products, which some of us as CDFIs have been using for decades, they'll participate if they know that they can get CRA credit.

You have something like the ADU programs coming up now, home repair. These are not new business opportunities, but what's happening is there's more favorable access. If in fact, banks can be encouraged that they're not going to lose their shirts, then they'll do the work, but they always want someone else to step forward. I think the CDFI community then has great opportunity, if it can get low-cost access to capital as an industry segment, to be able to lead the charge and help banks be more comfortable with the work that needs to be done. The other thing I'd say is there's not always a whole lot of creativity. So fine, cut and paste then, but I think if people don't feel incentivized, they don't do it. If they think their profit margins will be impacted, they don't do it. And so, we've got to continue to figure out ways to incentivize. The San Francisco Bank was trying to be creative around Black homeownership, and spent a million plus dollars with HUD-approved housing counselors last year. We all saw our numbers double just on grants for support, because the bank took a leadership role, and I think those are very simple things, special purpose credit products where people know they can be in tandem together. Those are the kinds of things that I think our banking community needs to see, along with government support, to help make more loans happen.

LaRhonda Ealey: Thank you. Tiena, and then Ashley.

Tiena Johnson Hall: Sure. Well, as a former banker, I could really go a hundred miles an hour on this topic.

LaRhonda Ealey: Go ahead.

Tiena Johnson Hall: But I'm going to limit it a little bit. I recognize, and I agree with Lori Gay, that the banks are not the first ones to jump out into this universe. In fact, they're followers when it comes to community development, and that's not just something that they do, but something that is documented. And in fact, I would argue that that's the precise reason why the Federal Home Loan Banks, CDFIs, public agencies, like myself, were created, because the banks were unwilling to do it, and they still are, by and large. So, I'm just going to point to a good example of why it's more important than ever that we have folks like the Federal Home Loan Bank System to actually jump in, and let's not try to make them go into a square peg or a round hole. Let's see what we have to work with, and I think there's a lot of room there. So, for example...

Tiena Johnson Hall: And I think there's a lot of room there. So for example, before the Great Mortgage Recession, [inaudible 00:34:08] partnered with the Federal Home Loan Bank to issue $1.7B in 30 year live or index bonds. That was in 2004. We know what happened in 2008 and 2009. And the good news was is that we could rely on the Federal Home Loan Bank of San Francisco who we borrowed the funding from to give us flexible terms to get us through that recession. I would advocate that those are the kind of partnerships that we need to elevate and not necessarily rely on the traditional financial institutions who are just not creative, are going to give us the excuses to not do this work. Let's recognize and fall into the thought of who else can we rely on? Like you said, Lori, if we're expecting the same changes from the folks who we're creating the problems in the get-go, what are we doing? It doesn't make any sense. So, I am advocate, and I also advocate that in an interest rate environment where we have this additional market risk, risk related to interest rates, they got folks that they got to answer to and so they may not even be clearly motivated, whereas everyone around this table is. Let's break down those silos and let's start talking to each other about creating innovative solutions that are within our wheelhouse.

LaRhonda Ealey: Thank you. Ashley.

Ashley Thomas III: Yes. So the question I know was about community as well and community lending. I do want to, I think, Robin, you made an excellent point earlier talking about underwriting. What we've seen is underwriting move from optimism, the dream of homeownership to now it's in this pessimistic space of prove to me why you deserve this loan, why should I give it to you? And I think that that's a wrong direction as an industry and it really hurts community.

Secondly, off your point about risk, when we talk about risk and coming out of the Great Housing Depression, and many believe that if you don't have access to capital, you're still in a state of depression right now because you can't access it. But coming out of that, it was also another mindset change where risk became communities of color and low to moderate income. So now if that's a synonymous thing for risk, then you're not so apt to lend to that. I think we have to manage behavior, not through expectations. So lending in a community cannot just be because you have a good heart, there has to be a requirement. And I touch on one thing that Lori brought up, not to open up a whole can of worms, but when we talk about CRA, am I really doing right by the community if I meet my requirements for CRA by purchasing on the secondary market and not lending? And so that's a huge concern. So we say, "Well, community lending, I have to have some type of skin in the game to actually put forth effort in the community and not just meet quotas on the back end." And I think the system has to be looked at, and I think it can be, especially having forums like this and community, people can come out and talk about some of the challenges that we are experiencing that we see, but we have to be able to manage the behavior. And I think that's easy to do when you're offering access to capital at affordable prices.

LaRhonda Ealey: Monica.

Monica Mejia: Yeah, I guess I wanted to bring another aspect to this issue of access to capital and what are the lenders doing and what are they not doing? I hope we get a chance to come back to all these big points. But I also wanted to bring up a small point, which is the small access to capital. Small loans, micro loans, and just access to banks. You go into my community and what do you see everywhere, but check cashing facilities. Why don't the banks offer a substitute? Why aren't there enough substitutes that are there with a open door? "Come here instead. This is where you can bank and you don't have to go to the check cashing place." And so the community that I serve the incomes are very low, homeownership is mostly out of reach and so lending is still needed, but the loans are going to be smaller. It's probably going to be a lot more labor intensive and it's going to take an intense community contribution.

LaRhonda Ealey: Debbie.

Debbie Chen: So just a quick preface, Little Tokyo Service Center is based in Little Tokyo, but our model is to also partner with other community-based organizations within their neighborhoods. And we built about 1,000 units of affordable housing across the city and county of Los Angeles that way. Recently we have been partnering with community land trusts. There was a LA County pilot program that provided some seed funding for land trust to acquire property. And a big challenge that we've run into has been getting the right financing products for community land trusts. Talking to banks, to Monica's point, there just aren't products out there for these alternative structures of ownership. There's another piece that a lot of community land trusts are trying to experiment with and that's once you split the land from the improvements, the community land trust owns the land, and they would ground lease the improvements to a limited equity cooperative that's owned by and large by the residents within the building. You look in places like New York City and you'll find your co-op loans no problem. But if you come out here to Los Angeles, you're left high and dry. So I'd encourage the FHFA system to take a look at this.

LaRhonda Ealey: Thank you. Oh yes, Carol, thank you.

Carol Galante: Sorry, I wasn't going to speak on this issue because it was being covered so eloquently, but I want to just tag on to Debbie's point and to Tiena's point. The inability to access creative alternative forms of ownership, which I think is absolutely necessary, at least in these high cost markets because too many people are never going to even get to the starting line of traditional homeownership. So cooperative housing, community land trusts which enable at least some wealth building. And I think it's a racial equity issue. We can't just build rental housing for people and say, that's equity. It's not, in my humble opinion. I do think that the Federal Home Loan Bank System could leverage the amount of private equity going into buying these portfolios, back to Robin's point, is huge. I mean, where is the money going from the banks, from Wall Street? It is going into acquiring existing assets, whether it's single family or multifamily or mobile home parks or you name, it's not going into new supply. It's just not, except for low income housing tax credit deals, that's about it, that gets new construction. Everything else is going into acquisition and that's not adding to the pie, which is important. So we need that and we need products that can really work for alternative forms.

LaRhonda Ealey: Thank you. Robin. And then-

Robin Hughes: I just wanted to add two things, and maybe it's even a question for Ashley because I think about that point of entry in terms of if you're looking at buying a house in South LA or East LA and you're working with a broker, who do they bring as lending partners? Do they think about the large financial institutions that are out there? My sense is probably not. And are those large financial institutions engaging in a community in a way that they know that they could walk down to the local branch or whatever and access a loan? So, I do question that point of entry, and if that is the way in which, if you're a new home buyer of color, is that the avenue that you're going to take or be directed to in this space? And then I want to continue to emphasize that the roles of CDFIs in doing homeownership lending in communities of color and those CDFIs having access to both Federal Home Loan Bank resources, but more broadly the financial institution's resources to do those creative, the lending type activity that's not predatory that I think low-income communities of color need, but it's really, I think about that point of entry.

Ashley Thomas III: I definitely want to touch on that. I think the point of entry is important. I want to first touch on something Carol had brought up in terms of the amount of money being spent when we're talking about secondary market and whatnot. I find it very ironic that we struggle with certain lending institutions to lend in certain communities, but they'll turn around and pay a premium to meet a CRA goal for that same loan that they wouldn't originate in the very beginning. And that system allows that to take place. So you'll end up paying 104% for the loan that you didn't want to originate. And so these are low income neighborhoods and also people of color, communities of color. In terms of the point of entry, what we've seen is since the housing recession, 2008, when we all felt it at different years, but 2008, 2010, whatnot, but since that moment, and so I always have to look at it from both perspectives. During that time, financial institutions became very fearful of being on the eight o'clock news about foreclosing on a family. And so that fear I think became a new policy. And so what we saw is it began to change the way we do business or not do business in certain areas. And so I understand that piece of it, but I think there's also a responsibility to understand that during that crisis, less than 10% of homes were in foreclosure. I'm not saying that's okay, because any home that is foreclosed upon is a horrible situation for a family for generations to come. But at the same time, we did have a 90% success rate at that time. And so I think our knee-jerk reaction to be sustainable became over... We overdid it in many cases, and I think we have to open the credit box to allow people and families to have an opportunity to be successful once again.

LaRhonda Ealey: Thank you. I want to pivot just a little bit and go back to something Monica mentioned earlier. In terms of the communities that you served, you mentioned multi-generational housing and those needs? Can you talk a little bit more about the specific challenges of the communities that you serve as it relates to that? And then if I can get a response from Carol, I believe in your pre-submitted comment, you mentioned ADUs and speak a little bit as to how that could potentially address that need.

Monica Mejia: Well, it's mainly a problem of overcrowding because the large families for Latino communities, it's a tremendous strength for us. Honestly, I think it's what makes us successful and makes us overcome so many challenges. Even when you're low income, it's a beautiful thing. But basically they're just in overcrowded situations. You get households of 5, 6, 7 in a one bedroom or if they're lucky, maybe a two bedroom. And we saw the tremendous harm of that during COVID. We saw how certain neighborhoods, there was a lot more deaths, and part of that was related to the overcrowding.

Carol Galante: So, I think the challenge with accessory dwelling units, granny flats, whatever you want to call them, is that you have to build it or you have to take your house and renovate it extensively to create another full unit as part of that house. And there really aren't programs for an individual homeowner unless you can go out and get a construction loan, which means you need to have a lot of equity in your house to get that construction loan and then take the risk that of course you can rent it or you have the income for a family member to live there. Fannie Mae, I believe has changed their underwriting to allow, if you have rented an accessory dwelling unit for, I think it's two years, you can qualify for a higher mortgage amount. But it's that getting it built and what collateral do you get from the homeowner in order to get it built and lower income, middle income people don't have that.

So what you're seeing is a lot of change in laws in California. Accessory dwelling units have exploded as a source of housing, which is terrific, but it's exploded for families who already have the wealth to do it, and they are the least likely to actually be renting those homes out to an unrelated party as opposed to using it for their office or their art studio or guest room. So it's extra room, it's not serving the purpose that it could if you had a financing product for this.

LaRhonda Ealey: Thank you. Lori.

Carol Galante: She was-

LaRhonda Ealey: Oh.

Tiena Johnson Hall: I'll be quick. Carol is spot on. She covered a lot of what I had hoped to say. We have a lot of information at [inaudible 00:50:13] on that because we actually had a $100M program for ADU financing where we provided a $40,000 grant. It helped considerably in certain markets to get it off the ground, but of course you still had the challenge of does it... And it helped with our program was up to 150% AMI in California, which puts you in the moderate income level on the higher end. And so it certainly did help in certain areas. We were able to get ADUs built through that grant in 51 of the 58 counties in California. So I think that that speaks to it being really quite a viable project. And it also speaks to the economic and geographic flexibility in California and the strangeness of California in that you have a lot of areas that are vulnerable communities directly adjacent to very expensive communities to live. But I won't go into all of that. What I'll go into is how important it is, at least to have those grant dollars to get the work started. We literally exhausted $100M in less than eight months, and there was still a very long line that we just could not get to. So having a resource, the one side of that is $40,000 to get an ADU started, and that's all it took in this economy where it costs 500,000 to even build a home, it's a good thing. What's not so good is it didn't help as many of the people that we needed to help. And so therefore, having some advocacy around federal, state, FHLV dollars to get this done is a very important key to a solution for ADU financing.

LaRhonda Ealey: Thank you.

Lori Gay: Thanks. Big ditto on that. I was going to say, when we talk about intergenerational issues, building wealth is a matter of legacy. And so, one of the things we're on air now saying is don't sell your house. How do we retain both cultural and long-term sustained neighborhoods and not have them gentrify, not have them displace, not have people in overcrowding situations. Talking about the young Black urban professional again, many don't want to live in the South LA neighborhoods they grew up in. So we went to them and said, "That's dumb. Don't sell your house. If Madea leaves you the home, you could rent it out to people that you choose to rent it to, but you keep that in your family as a part of your portfolio." And people hadn't been talking to many young professionals that way. And so over the last five years, we watched our business go from 22% to 51% Black professionals that are ages 30 to 45. That is an intentional piece, an intentional space. And I'd say in the lending community that's foreign sometimes. The intentionality is more to the middle class. The race issue isn't as big a deal, but it's middle class. So, when you go beneath that, I think people struggle. The other thing I'd say is property repair is a huge deal. I don't want to miss mentioning that this morning. For existing stock, public held land needs to be liquidated and put in the hands of groups that can build it out. And we talk about all this stuff. We even have advocates who are writing legislation for it to give to their elected, and it just doesn't go far enough. And so I think we have land mass, we have existing supply. I will stop with a story. We did a lot of work with Airbnb pre-COVID, and we were testing the home repair business alongside them with their hosting business. And what we found was most homeowners could not afford to build the ADU at the time. Their eyesight was bigger than their budget. And we still have not been able to drive down the costs over time, even with factory built housing for ADUs to be as affordable as they could be, which is why Miss Hall's program was so exciting to everyone because it was that front grant that made a difference for probably over 1,000 families. And I think the Federal Home Loan Bank System could do that. I was not one of the folks who supported, whether I'm a board member or not, this 30% push toward net profits going there, but I think there's a number and we need to find it. And if she could spend $100M in eight months and all of us struggle spending a $100M and getting it activated, we need to learn from that. And that our system could make change, whether it's doubling the number or whatever. The highly competitive HP program, which sometimes is 1/1000th of a point differential, is not necessarily the solution. And so I'd suggest that there are piloted programs that can be done. The Federal Home Loan Banks that are able to generate more with their profits, whatever that number needs to be, should do so. We're in a crisis. And so, I think that that flexibility has mattered. And last, the mom-and-pop landlord matters, and many of our neighborhoods, particularly South Los Angeles, East LA, are made up of mom-and-pop landlord snarls, and they're losing, we protected the tenants the best we could in disaster relief, but those landlords are left hanging. And so we're working with the county for a phase two of a mortgage relief program right now that'll come out probably in March. And it's just targeted to landlords. So, we're going to learn and see how well we can serve.

LaRhonda Ealey: All right, Debbie, and then I'm going to pitch it over to Chris because he's going to transition us into more specific and poignant questions as it relates to the Federal Home Loan Banks.

Debbie Chen: Sure. Closing out the topic of multi-generational housing. So a lot of the families in the communities we serve our Latino and Asian, and they would live in multi-generational housing units if they could. I'll give you an example. LTSE built a 100 unit multifamily apartment building for about $10M. So that's about $100,000 per unit. More than half of those units are three bedrooms and four bedrooms. You don't see that anymore because our housing is costing $600,000 a unit and climbing. So what do we do today? I think that what we've been trying to do is we're trying to look outside that conventional box of low income housing tax credit buildings. Can we do things a little bit differently if we don't use LIHTC? We've been looking at shared housing. The concept of shared housing is you have suites and each suite has, I don't know, five bedrooms and the bedrooms could each have their own bathroom, but then you have shared common room and kitchen among the five or six of them, and families could live in a suite like that. Is that something which LIHTC isn't readily going to invest in? Is that something someone else could come in and take a closer look at?

Chris Bosland: No. Thanks. And I don't know, I guess it's not comforting, it's actually the fact that we have heard at almost all of these round tables, the need is so far in excess of what's available. And one of the reasons we're doing all this, of course, is to see, bless you, what the home loan banks might be able to do to help provide additional things beyond, I mean, to your point about AHP, it may be part of the portfolio of this solution, but it's not going to be enough. Even at 80%, 90%, 100% of net profits, it's still a drop in the bucket given the needs that communities are facing. After the break we're going to spend a lot of the time talking about all of your brilliant ideas for solutions and innovations. And each time we try to cabin this in a little structured fashion, of course it breaks down immediately. But hope springs eternal. We're going to try. Now, just before we get to that, I want to talk a little bit about what has come up obliquely in some of the comments, but what are the home loan banks doing right now and how is that working for you all? I don't want this to be a complaint session about the home loan banks because it's not because they are doing great things. I'm going to start with Tiena and Lori, given your direct involvement, in Tiena's case past involvement with the home loan banks, what's working, what's not working?

Tiena Johnson Hall: Well, thank you very much, Chris. I mentioned one thing was working, and I'll just elaborate a little bit more on that. What is working is the borrowing capacity of federal home loan banks to the FHA organizations is working extremely well. HFAs typically use that funding as many of you know, to actually finance our own programs, and we are no exception to that. So for example, we have a credit line with Federal Home Loan Bank of San Francisco for $200M. We're thinking of going up obviously to a larger number if we can in order to meet the needs of our borrowers, many of which are represented here at the table today and in the audience. We have even had some discussion of examining some additional financing products that the Federal Home Loan Bank offers. However, certainly there's some room for improvement and we would ask that maybe there'd be a consideration of reducing the cost of funds for us. Margins are tight right now. We need to be able to deliver a less expensive product to the developers, especially in a rising cost environment, that's important. And we would also ask that there'd be some consideration of decreasing the collateral requirements for that type of financing as well. Anytime we have to box our collateral, that limits our ability to get the liquidity that we need to support the borrowers that need our help right now. I would also suggest to you one of the great things that HFAs and the Federal Home Loan Bank system has done is collaborating, but we can improve in that area as well. Think about it this way, the HFAs have a unique position in many, many states, ours is not an exception, where we have a lens on the housing credits, the housing bonds, we provide bonds, we do lending, and we also do wraparound services. What we are not as great at as coordinating with the Federal Home Loan Banks so that we are not tone-deaf to the unique requirements of all of those things, whether it be the federal requirements to provide those financing time considerations for those deliverables. We have a placed in service requirement here. The application cycles are weird, but it would be great for us to have just better conversation around that and a better connection so that we can actually not be so tone-deaf to some very obvious things that we have the power to change.

Chris Bosland: Thanks. Lori. Do you have a perspective from the board seat or perhaps from the other side of the question?

Lori Gay: I walk this fine middle this morning. Everything that Tiena said, she said at least half of what I would've said very much as a board member that the collaboration needs to be there, cost of funds, ease of access, lower liquidity requirements. Many of us have looked at the system for years and thought about it and said, "Ah, maybe not now." And then you come back and you're looking to see where the flexibility is. I think a number of folks have talked to me about the dollars invested in the AHP program broadening so it's more per unit and not as limited as it's been. The WISH Program just increased. That was helpful. All of it requires this stacking order that's, it's engineering, it's not just housing anymore. And I think when you think about that on a per deal basis, it's very complicated. The larger scale projects, people are used to it, but it's still, you're picking at it. And as Carol mentioned, getting things built is a whole nother discussion in the state. I think there's a big push to increase membership at the board level for overall and how that's done. People forget that the credit unions, many of them are our members. And it's very exciting to see what credit unions are starting to do. Insurance companies encouraging them to use the system. And I mentioned it earlier, I'll mention it again, when the Black homeownership dollars were available throughout the San Francisco Bank's platform, people who don't give started giving to HUD approved housing counselors. And so I think it shows something that's very distinct. And it's not just about Black people. It was about the bank is leading, I'm going to join with the bank. I feel safe to do something, and "Oh, I'll get to help Black families. This is great." So, I think more of that is critical. Easy access for CDFIs, we got to figure that out. Because CDFIs are doing on the ground, ten second example, we will make a loan tomorrow to an HOA in Compton that has no money to pay us back. They've got turmoil, but we're going to take risk for three years while we help them get it together because there's enough money there for them to pay back the loan for a roof. We're talking about a roof, and we just had the worst rains we've had in years. And so 32 seniors matter to us. No one else is going to make them a loan that's responsible. Encouraging members of the Federal Home Loan Bank System to join with CDFIs and others to make that capital available in neighborhoods, it's real need. And the equity's there, the property's there, but they need a roof after 30 years. It's not a big deal. That's how we're going to look at it. Your typical bank, maybe not. Credit unions come alongside very well there as well. Last thing I'll say is just the overall support of the nonprofit sector who helps feed into the housing market. So those financial counselors really need help. There's never enough money for capacity building and the $10,000 grants need to be leveraged across the region. And so I think we can't ever underscore how important it is for families to become more financially literate. Thank you.

Chris Bosland: Thanks. I want to get Robin in here. Lori, I do want to come back before, because I'll forget. But I'm curious, are you an independent director or are you a member director?

Lori Gay: I'm public interest.

Chris Bosland: Okay. So I would like to just get your sense, and you don't have to tell tales on the San Francisco board, but obviously you have contacts throughout the system, on the dynamics between the public interest directors and independent directors versus the member directors on the board and how the voice, particularly of the independent public interest directors is played. I don't want to get you in trouble.

Lori Gay: Do you really?

Chris Bosland: But I wanted to give you warning to think about it so you don't get into too much trouble.

Lori Gay: That's right. You'll come back to me.

Chris Bosland: I'll come back to you. But Robin, go ahead.

Robin Hughes: Well, Lori, he's going to give you some time to think about that one.

Chris Bosland: Robin's going to filibuster for you.

Robin Hughes: So HPM members utilize the Federal Home Loan Bank or get access from the Federal Home Loan Bank, majority through the HP program and a number of our CDFIs have become members. So I'll actually start with our CDFIs. And I've seen just in the Federal Home Loan material, just the number of CDFIs that have joined the system just in the last five years. And I think of our 25 or so CDFI members, probably 10 or so are now members. I think it's still a big hurdle to become a member. And I think looking at that is really important. Let me start with what I hear from our CDFI members when they become members, which is having access to the Federal Home Loan Bank's capital is really helpful for them.

Robin Hughes: Home Loan Banks capital is really helpful for them. So, this additional liquidity, this additional capital to go out and lend in the communities where they're working, it's truly of value. I know where the struggle really is, is how the underwriting of them as institutions, and the collateral that they have to set up, and how much that collateral is valued at, I'm like, "What's this haircut thing?" And so, this concept of their assets being discounted really struggles for them, and the switching out of assets. Those are the things that make it challenging for them to engage in the membership in the Federal Home Loan Banks that other members do differently. So, that's definitely one.

So, AHP, very, very important. And I think what I've seen is the ability for each of the banks to set certain priorities really does allow for targeting those resources and areas that are needed. In San Francisco, I've seen there's always been a really high priority for supportive housing and senior housing within California, which are high priorities, and we know that. So, that's been really great, but it's not enough. And you'll probably continue to hear that. If it's not increasing the AHP program, which we know is set up by Congress, the Federal Home Loan Bank system coming to agreement that they're going to use 10% or 20% of profits towards a similar type program, maybe not as constrained and restricted as the AHP program, to support affordable housing production. And maybe a more flexible way, less constrained, I think would be of value. And then, the other thing that we've seen really works with this regional system is the banks being able to set up specific programs in their district. So, here in California, we have the WISH... or is it [inaudible 01:10:12]?

Lori Gay: It's Wish now.

Robin Hughes: Yeah, okay, programs here, they're very targeted towards needs that are local. Or in Chicago, there's the Community First Program. So, those types of more targeted programs work really great. What I continue to be surprised by is why members are not accessing the CIP program more. And my sense is perhaps the smaller community banks are, but why is it not an attractive capital vehicle from the larger banks or the mid-size bank? When I was at [inaudible 01:10:47] communities, for example, we saw one of the larger banks, instead of using it as a mortgage product, actually used it for a lot of credit for my organization at the time. So, are there different ways in which the banks could be accessing the CIP program to provide different types of capital for their members to provide to developers in this space? So, those are just some things.

Chris Bosland: This is great-

Carol Galante: Can I just add-

Chris Bosland: Yeah, go ahead.

Carol Galante: One comment to Robin's comments, which I thought were great, on the flexibility side and what's needed there. And we'll probably get into it later on, on pilots. But this may be controversial, but there's lots of talk about increasing the amount for AHP. And I actually would disagree with that. I am in favor of increasing community impact money, but the AHP program, and I'm a little old in terms of my experience using it, the average amount a unit that you got from an AHP was $10,000. And the amount of paperwork, the amount of monitoring, the amount of rigamarole, we would actually sit in our office on a project and say, "Is there any other way to come up with this $100,000? Because this is just not worth it." And if it went away today, every single nonprofit tax credit developer would find another way to get that $100,000 into a project. Maybe not for the home ownership deals, but it's inefficient, as well intentioned as it is, and I think that would probably take legislative change, don't put more money in that pot. Create a flexible, innovative, both grant and use of your balance sheet to create more community impact.

Chris Bosland: Thanks, this is great. That's come up a number of times, the complications of the system. And of course, the rules of it created over time because of problems and things, and so there's a balance to be struck. But it is a recurring theme for the juice for the squeeze, or whatever the analogy is. Your colleagues are working very hard to get you off the hook, and the questions are cascading in my head, so we might not get back to you, but I want to get Monica in, thanks.

Monica Mejia: Hi, I just wanted to add some color to how important it is to have money flow to the CDFIs, as Robin was mentioning. I go to the CDFIs for what's called pre-development financing. I go to Genesis, Liss, Corporation for Supportive Housing. I need a million to 2 million, sometimes $3 million per affordable homeless housing apartment building in order to hire the architects, sometimes to buy the land, pursue the project up until permits, where then I can finally get a construction loan. And I can't tell you how hard it is to access that kind of money. It's just really hard to access, and the idea of a line of credit, sometimes we, the nonprofits, are able to access a line of credit, and it's precious to us because we use that money for this key period of time. I have projects where I don't necessarily have a piece of land that can be security, so I need a loan with no security. And that's hard to come by. Sometimes if I have a piece of land with security, then we work with that, and I'm scrambling in my own portfolio trying to find something to use for security. But that as an alternative to AHP even, having a way to access more pre-development money would be really helpful.

Chris Bosland: Thanks. And I'm still laughing that we have a YouTube channel, but I will use this to put in a plug that on Monday we had a roundtable in Las

Vegas that focused on CDFIs and others. And I think there was a great discussion, and some ideas from the folks about ways to help CDFIs. You mentioned it's still a work in progress. Some of it is time related, and proving a track record and so forth in order to become members, but the Home Loan Banks are clearly still learning how to work with that. But it's a great discussion, I encourage you all to check it out on our website. I would like to now, maybe Debbie, or Ashley, or Monica, maybe you, the people that are directly involved with the Home Loan Banks have spoken. One thing we have heard a lot of is that a lot of times communities are not really aware of what the Home Loan Banks can offer. And I'm just curious, are your clients and institutions that you're working with aware of what the Home Loan Bank might be able to do? Is the word out, I guess is another way of asking? Debbie, maybe you.

Debbie Chen: Well, when we partner with other community organizations and service providers, usually they are just getting into housing development, or housing more broadly. So, no, they are not aware. I would say, to Carol's point, those who are aware in the nonprofit space of what the Home Loan Bank can offer, usually it's in the context of a gap financing, available $100,000 there, perhaps a million max nowadays, the maximum went down. They often ask, "Is it really worth it?" So, I think perhaps they're well aware of how onerous of the compliance and restrictions can be around the program. So, I'd say it's either one end of the spectrum or the other, I don't encounter anyone else.

Chris Bosland: Thanks, fair. Carol. Or is that left over?

Carol Galante: Oh, no this is still from [inaudible 01:17:30].

Chris Bosland: Okay. All right, Lori.

Lori Gay: I was going to say, "You want me-"

Chris Bosland: So, let me give you a direct... let's put it this way. Now, few things in my experience in the government is complicated and statutorily mandated as the complex Home Loan Bank director allocation process. Is the arrangement optimal from the perspective of getting the viewpoints of the various different stakeholders that we hope, at least the statute seems to envision getting? And what's the attitude across the boards?

Lori Gay: Yeah, thanks. I stay in trouble at the bank level, so here we are.

Chris Bosland: I know the feeling.

Lori Gay: Well, it's just I get told all the time, "Your voice matters," and so it doesn't feel like it, right? because while the numbers are what they are out of a 15-member board, we have a very diverse board, it's been getting awards, et cetera. And I said, "But let's act like it then, and bring the diversity of opinion to the table at every Federal Home Loan Bank, and figure out how to noodle it," whatever the proper words are, "so that we land in places that make community impact." And I think there's this unwritten rule of you go through the AHAC to get to the board someday. I jumped past that because George Floyd was murdered, and I got a call that said, "You need to consider this because we need to do something with Black people." Now that could offend a lot of people, all right? And I said, "Well, I'm not limited to Blackness, but if you want to start there, I will." And I think joining not just San Francisco, but all the banks, what I see is there's a lot of interplay, everyone's scared of you guys, you know that already. The regulator is the God. And I keep saying, "We all get audited, we all are regulated, CDFIs with treasury, HFAs, everyone has someone they're answering to." So, it's how do we get that piece? I'm going to answer you a little differently than you might expect. How do we make sure that the regulator understands what's going on with each of the banks, what the needs really are? Sometimes, it's not paper, it's what we're doing right now, and just really paying attention to a broad segment of the community. The other thing I'd say is while there's a structure for public interest, independent member directors, I see a struggle throughout all of the banks of those voices being elevated and valued at the same level. And that's not a negative, it's just a struggle. And so, I don't need to pick on San Francisco. I remain a member because I think the work is critical. And it's one of the last resources that has remained untapped, frankly. With all the greatness that's been done, I think the system could spend a lot more money in the neighborhoods, and they would not be poorer for it. It would enrich, and expand, and leverage the community in ways that it has not been able to see. I do think it's critical, though, to keep the types of directors different. Because the voices are different. And if we can find mutual respect amongst each other, you got a bunch of CEOs mostly sitting around the table, everyone's running a business that matters. Everyone's running a business that we hope is profitable. It's always then a question of what you do with those profits. And I think your public interest and independent directors bring some of that focus. Many of them are representing highly profitable companies, but they know part of their thinking is there to help make the bank stronger, to help make sure that Federal Home Loan Bank system and structure is intact, and we don't have runs on the banks anymore, and all that weird stuff from the past. So, I do think it's all critical, for newer directors, we've, I think, done some best practices at the San Francisco Bank that should be highlighted around orienting new members, things that are internal that make a better board member. But we need better recruitment, and I think that's our big focus. I know several of the other banks are doing the same thing to draw in the diversity, draw in the rich opinions that are beyond what's normal.

Chris Bosland: Thank you, and I appreciate your willingness to speak. And it's something that the agency is well aware of, and we are often blamed when it may not be our fault, but no doubt we are contributing in some ways to some of the problems. But we're working on it. Robin, go ahead.

Robin Hughes: Chris, I just wanted to add, and Lori, I appreciate your experience as a board member, but the other place where those diverse voices can happen and be heard at the board level is through the affordable housing councils. And, great experience, but I always found that the role in authority of the housing councils were too constrained, that it was very limited to AHP and CIP, and maybe the cash advances. And the ability to influence policy and regulation even in those programs were pretty limited. But that's not the only place where this system does affordable housing activity. It could be other places within the bank. I think about how the AHACs are used to understand what's going on at the community level, and what the capital needs are at the community level, and housing and community development is really critical. And one of the things that I did before coming, because I wanted to see if our members were on either an AHAC or a board, so I could talk with them and see what was going on. It was also really interesting to see how the different councils are set up. San Francisco, it's mostly affordable housing developers, economic development organizations, very much people that are practitioners who are working in the sector.

But I saw that that varied from bank to bank. Are there some criteria that makes sure that they're truly representing the communities that the bank wants to serve through this advisory council? And it was a mix, some of them had elected officials, government officials, a range. But the makeup of those affordable housing councils, I think, is really important. So, that's just a rich opportunity for influence and authority that I think may be missing.

Chris Bosland: Thanks, that actually-

Lori Gay: No, I was going to say really quick, I wholeheartedly agree, and I think we just get comfortable. Sometimes, disruption is good. And embracing change is certainly good. And I think that the bank I'm a board member of could spend a lot more time listening to its AHAC. And I'm tough on people, we have attendance requirements, we have regulatory rules, and I said, "That should pass through to the AHAC, but so should we be listening." You give me a 300-page report, I'm skimming, okay? That's just how it is. And then I'm looking at the executive summary to see what I have to vote on. There's not enough interchange to be able to hear the detail. And I will always be the first one to say, "I'm the dummy in the room, please help me understand," even though I've been doing my piece forever, that has nothing to do with the 10 things Monica's talking about. So, I think it's that flexibility, and maybe the strengthening system-wide, Chris, could be something that we're all talking about and putting forward. Because every bank is different, but there's still some systemic things that I think would really strengthen the conversation.

Chris Bosland: Yeah, thanks. And as my son says, "TLDR," when I give him a long text, too long, didn't read. And then we do get comfortable with the status quo, and I think our director is quoted as, "Challenging the status quo," in a recent article the other day. A couple of quick questions, hopefully then we'll take a break. And this discussion leads a little bit into that. And we hear a lot, obviously they are 12... not 12, that's how old I am. There are 11, there have been 11 for a decade, but anyway, districts, and one of the strengths of the system is in its regional [inaudible 01:26:28]. We talked a little bit about places being different, having different needs, perhaps the AHACs have a different composition to maybe reflect that. How important is that? Do you all think that the regional focus, is that vital going forward? Anyone? Carol

Carol Galante: I think having regional perspectives is really important. I think the question is, do you need regional banks to get that regional perspective? And I don't feel I know the answer to that. I do know there was a time when Fannie Mae had these partnership offices all around the country. We're not allowed to talk about that? But I would say, at the end of the day, if you were working on some type of innovative product with Fannie Mae, everything went through Washington, so you didn't have the independent... you might have been getting some regional perspective, but you weren't necessarily getting regional expertise. So, I see the value in having that. It does seem like there's a lot of infrastructure there. And the question is, do you need all of that infrastructure to get that regional perspective?

Lori Gay: And I'd say too, really quick if I can, I agree with the path you're on in terms of thinking about it, Carol. Having now been able to see the inner workings of the bank, I think they get a lot done. But the things we're adding that enhance are things like the housing summits we've been doing in San Francisco, there was a discretionary grant made to the Nevada Coalition. Because within the region there was disparity, and that's my word. But the Nevada groups didn't have the capacity to be competitive to access bank products, so we made a grant to build their capacity so they'd do a better job filling out all their apps and stuff to access the bank's grant system. So, I think that those kinds of things matter. If it was nationalized, Nevada would've been swallowed up. There never would've been a program where nonprofit capacity building was able to be talked about or achieved. And so, I think that I'm saying some things that might seem trite or small in terms of impact, but it's the sustainable future. And I think there are a number of banks clearly talking about consolidation, that's a numbers game. But in the end, the impact for people, we're not the same as Chicago, we're not the same as New York. Now, the income stuff, we can talk about that all day, how people live, we can talk about that all day. But once you get into the numbers and the dollars, and how you activate thousands of units, it's so different. How those members participate, so different. So, we certainly encourage keeping the structure, but making it bigger and leverage-focused.

Chris Bosland: Tiena, you mentioned having worked with multiple banks, so maybe you have a different perspective here?

Tiena Johnson Hall: Yeah, I was just sitting here, and I was just thinking about when I was working with the Federal Home Loan Banks in the South as an example, where they gather together to specifically help minority depository institutions, HBCUs and universities and affinity groups, minority credit unions, all within the Black Belt region where there are very, very limited economic resources, very limited banks. Without the support of the Federal Home Loan Banks in those communities, the economic depravity would've just gone to 100. So, when I thought about that, the very first thing is I thought having that regional access and flexibility, critical. When I look at California, I can look at it in the same way, but for different reasons. We know that California is one of the most expensive states to build in, and so it costs more, we need more. It may look different in other states that are actually even right next door to us. So, having some level of flexibility I think is help helpful. But I agree with both Lori and Gay, these are experts in the industry. They've seen a lot of real estate cycles, as have I. And at its core, there are some things that are exactly the same from state to state. Rising cost are exactly... it may look a little bit different from state to state. A $500,000 affordable housing development is very different in California as it might be in Texas. But what is the same is the rising cost of it. So, I think there is probably a space for a little bit of balance, in that looking at the process, but recognizing that there are things across the state that uniform us in this fight to obtain and retain affordable housing is exactly the same. So, how do we create a better balance of that? I think there's room for a discussion around that.

Chris Bosland: All right, Robin, you get the last word before the break.

Robin Hughes: And maybe my closing will lead into what we'll discuss after the break. I agree, having the ability to have the flexibility to target pilot programs, special programs at a regional level throughout this country is a benefit and value in the Federal Home Loan Bank system. And we see that in the way that programs are crafted here in the San Francisco Bank, or in the Boston Bank, or the Atlanta Bank. I think there's a lot of value in that. However, I do feel like, is there a way in which the system can have a common mission set of goals, and the ability to be more transparent in reporting on those goals? And then, holding the banks accountable for delivery so that you can really see what the entire system is doing in terms of outcome and impact. And then also, are there ways, and you use the strength of the system and the balance sheets of the banks to do something on a national level that could deliver more capital, both using the Federal Home Loan Bank system resources, but also leveraging them with other capital out there in the market? I think there might be moments and times where using the system as a whole could bring value-add or benefits to the member banks, but ultimately down to the community development organizations.

LaRhonda Ealey: All right. Thank you all so much. This concludes the first half of our discussion. Thank you for helping to paint a picture of the housing ecosystem where you are, the communities that you serve, the challenges, as well as approaching how the Federal Home Loan Banks are helpful in areas of improvement. At this time, we're going to take a 20-minute break. It's 11:06, so we'll come back at 11:26-ish and go from there. Thank you.

LaRhonda Ealey: And welcome back. Let's get right into it, in talking about the future role of the Federal Home Loan Banks in supporting affordable housing. Moving on to the future of the Federal Home Loan Banks, or rather the role that the Federal Home Loan Banks should play in supporting community and economic development. Before we get into the future, I'd like to share a quick blast from the past. The system is not a stranger to innovation. He have heard, and we continue to hear the banks should be innovative in the products that they develop in their support. So, a colleague of mine was doing some research and found that between 1936 and 1942, the Federal Home Loan Banks implemented the Federal Home Building Service Plan. Any of you familiar? This plan or program provided building plans developed by architects, technical services, as well as other programs to line up appropriate resources for construction, and also provided advertisements stressing the advantages of home building through the plan. With that in mind, what type of technical assistance would you like to see the banks provide to support today's housing and community development needs of financially vulnerable communities? I'll go back to Carol and your remarks again, you mentioned ADUs, and there has been mention of more products. Are there any more specific ideas or details you can provide regarding what a product would look like from the Federal Home Loan Banks, or how they could support that for the construction of ADUs, but for families who are below high-income?

Carol Galante: I don't have a specific plan here, but what is in my mind is, I'm thinking about when I ran the FHA, there was a 203k FHA program, which is a home renovation loan. So, you get a home renovation loan, and along with that came a consultant. Out of the mortgage, you paid for a consultant that would help you as a homeowner with the contractor and make sure everything was done right and inspected and whatnot.

And innovating a pilot type program for construction of accessory dwelling units where, maybe it's just this home renovation loan type program, but expand it to include an actual full separate unit, not just renovation. I think there'd be a lot of details that would need to be worked out on that, and so I think that's the research, development, innovation that the Federal Home Loan Bank could take, with its members, some leadership on, and then have some backing for those members to go out and make those kinds of loans, and promote those kinds of loans, or work with CalHFA or others to make those loans.

LaRhonda Ealey: Thank you. Monica, in your comments, you also had some ideas about how the Federal Home Loan Banks can provide support in the multi-family space. We are definitely aware of these larger projects that utilize AHP funding as a bridge project. They're mostly [inaudible 01:39:18]. Is there a space in the greater Los Angeles area for smaller multi-family projects? And if there is, how do you ideally envision some of the ways in which the Federal Home Loan Banks can support these smaller developments?

Monica Mejia: So, what I am seeing in our community of the LA Eastside area is we have tremendous gentrification pressures. We're pretty close to downtown. And so, one of the things that we're trying to do is to try to make as much affordable housing as possible. Either you build it, or you buy existing buildings. We can't seem to build enough. We know there's many nonprofits working in the neighborhood, in addition to ELACC, there's Abode, there's Mercy, there's ACOF, there's three more that are working in the neighborhood, and we're all trying to build as fast as possible, but it's not going to solve the problem. What I would like to do is to try to hold as many of the people who live there as long as possible, to keep the culture of the neighborhood. And so, one of the strategies that we have, I call it a preservation strategy. I don't often call it a gentrification strategy, I like the word preservation better. And the idea is to purchase these small apartment buildings, four units, six units, eight units, maybe 10 to 12 units might be where it tops out. And they're available for sale on the market. And the sellers are market rate owners, and they're priced for gentrification. The way they market them is, "Two units vacant, come and get them," and they're trying to get higher income earners to move into the neighborhood, and slowly transition the population of the neighborhood. I think the term was repopulation?

Lori Gay: Depopulate, repopulate.

Monica Mejia: Yeah. So, we are interested in buying these small buildings. And here in Los Angeles, we have good luck, we have a new source of funds that we just approved via our ballot, it's called United to House LA, and it's going to help us buy some of these small buildings. But we also need many loans. And it's not just us that are doing this, we have land trusts doing this. The loans are pretty small, they're 500,000, maybe less, to buy a small commercial apartment building.

Monica Mejia: And to buy a small commercial apartment building, and then it would be rent restricted long term. And I think that all through Los Angeles, and maybe further through LA County, LA County may find a way to do it as well. And there'll be people trying to buy. And again, we're trying to hold people in place, trying to keep them from being displaced. And so I think that acquiring the existing small housing stock is a key part of cultural preservation.

LaRhonda Ealey: Thank you. I think it was Robin, earlier in the first half, you talked about coordinating the mission and goals of the Federal Home Loan Bank system. Can you expand on that some more? So starting with, for example, who would be responsible for establishing these goals and the mission? Would it be the banks themselves? Would it be the regulator? Do you envision it being through legislation or the AHAC, some type of advisory council? What would that look like and what are some of those goals? And for those of you who have an opportunity, Robin, I'm giving try to give her some time to think about this, I would ask that you all also think about some of the kind of pie in the sky, big picture, coordinated mission and goals that you would like to see the system really come together on.

Robin Hughes: So, while I don't want to equate this to the duty to serve. That is [inaudible 01:43:42], but it's the same concept. What is the-

Speaker 1: Is your mic on?

Robin Hughes: Is it on?

Speaker 1: Oh, it is. You may have to pull it closer.

Robin Hughes: What's the overall collective mission? Oh, it's on now. The overall collective mission of the system. So it is something that is generated by the 11 banks, that the 11 banks truly come together and say over the next 10 years, 15 years, these are our collective goals around addressing affordable housing and community development, and communities of color and low income communities. And even get down to the widgets. This is what we're planning to produce in terms of production, community facilities, focus on education or homeowner counseling, whatever those might be. And also, these are the societal impact that we're hoping to have in making this investment. And think about it as being catalytic investments too. So how can our capital resources help to bring these things about? So it is something that is established within the bank system, and that can come up from a AHAC, or from the board, or from round table discussions like this. But ultimately, it's almost like all 11 banks are signing onto this pledge. And then they may all then decide to execute on that differently based upon what their regional needs are. But ultimately the banks would then report on how they've agreed to measure these things, and they're very transparent. So, they're holding one another accountable, but they're also being very transparent in being held accountable by the general public too, as well as government and regulators. But it's just a place where we can see that. So again, it's just working towards that common mission, common goal.

LaRhonda Ealey: Where do you think that work starts? Who gives the push?

Robin Hughes: It would be an interesting thing coming from the regulator. I mean, it would be very different than I think the current relationship between the bank system and the regulators are. But it could come from that. I don't know if the bank presidents have a cabinet that they work with. It could come from that cabinet. If the bank board's come together once a year, it could come out of there. So there might be just points within the existing system that provides that. My hesitation around, so what's the accountability to the regulator, and it being more incentivized than restrictive would be my only concern about it coming from the regulators. I do think that this is something that the system itself has to develop and embrace and own. Yeah.

LaRhonda Ealey: Okay. Thank you. Debbie. And then Ashley.

Debbie Chen: Just combining your question about TA and this discussion about coordination, I think it'd be great to see some learning happen among the different banks as well. Earlier I mentioned this financial ecosystem in Los Angeles doesn't have the infrastructure for alternative home ownership loan products, especially co-op loans, CLT loans, but the East Coast does. And can there be an exchange? And I don't know where that drive would come from, but can there be an exchange that happens more frequently and more just easily among the banks?

LaRhonda Ealey: Thank you. Ashley.

Ashley Thomas III: Yes. I actually have a luxury of not being connected. So I guess I can say radical stuff and it just not-

LaRhonda Ealey: Absolutely. Please.

Ashley Thomas III: No, I just think that as we look at the makeup of the membership, any of the banks or financial institutions started off with very intentional racist policy that has kept them in business. As a Black man, it's always interesting when I hear from a business that says, "I just want to let you know we've been doing business for 200 years." I'm always like I don't think that's a selling point. But in saying that, there's history that we have to acknowledge. And so I think there were very intentional and legal in terms of redlining, steering, discriminatory practices. And I think if we're going to meet our goals where we need to be equally intentional as it was when it delivered a negative outcome. So, I think the bank can play a role in creating programs that are intentional for what the goals are. I love what Robin stated in terms of incentives. Maybe from a regulatory standpoint, it's a challenge, but one of the largest things that I hear in terms of members is accessing capital and there being a differential in terms of the cost to access such capital, whether it's a CDFI or whatnot. So it's going to charge a CDFI maybe more to access capital, but they're doing good work. And it should almost be the opposite. It should be the opposite. Not almost. It should be the opposite if you're actually doing community lending, then you should get a community break or whatnot is how I think most of us would look at it. And that would be something that would be very intentional, and I think it with yield results. If you look at a consumer that goes to access capital at a CDFI, that they have to pay a higher rate because they're being charged a higher rate is what I would assume just mathematically adding the numbers together. So I think if we can create a program that's intentional and then create, for the members, incentives, then we can yield results and manage behavior much better.

LaRhonda Ealey: Lori, we hear incentives a lot, so especially for those of you who have been or have connections to the Federal Home Loan Banks, I'm going to ask that you start to think about what would those incentives be? Because just listening to Robin's comments about there being this coordinated mission, it almost seems like, well, why aren't they doing that now? So what have been the impediments? Think about that too. And also what would be the incentives that would spur this type of collaboration and mission thinking as it relates to affordable housing? And to Ashley's point, acknowledging and also correcting the defacto segregation as intentional as well as intended and unintended, and the consequences of that. Lori.

Lori Gay: I'm trying to think how to narrow down comments without all of that. I think one of the powers that the Federal Home Loan Bank system has is to convene. The Fed used to be known super well for it. They do less of it now. And we're experiencing it at the San Francisco Bank with these housing summits we've been doing throughout the district. We have one more in March. And it was hard to organize it, but there's momentum now. And then there will be a report that comes out that everybody can haggle over and throw at the wall and see what they think, right? Because in the end, we want new product. We want innovation. So I think that's a huge piece that's system-wide. I wrote down some things from our National Housing Resource Center, they'll get me if I don't say, but equitable programming could be a coordinated effort. Talking about it, saying out loud, we need to increase equity throughout the Federal Home Loan Bank system amongst all members, and that the bank stands for. And you make the list. Because that then says to people, you have a welcome mat to participate. And so I think that that's a big deal. Decreasing opportunities for income discrimination in all programs. Saying that out loud. And I don't know where we say it right now, but I think those are things that matter. And last but not least is encouraging fair housing. Those coordinated efforts matter. The President's Council, I think there's a Vice-chair's Council, they're all talking all the time and trying to figure out ways to work together. And I think that there's a path. So it's how do we expand that?

The other thing I'd say is there's lots of conversation at a number of the banks around this third GSE, and I know there's a lot of infighting about what that might look like, but how do we leverage capital in the bank system on a coordinated basis nationally so that it's real impact? I've struggled at the local board, the regional board with the numbers. And when you think about our costs throughout the district, right? 100 million, like you say, you're just getting started. How do we make sure every single year there's a billion dollars that's added to the system that's not there today? And who makes up that component? And a billion dollars is nothing in housing. We know that. So, I think those are some of the things we think about. The other part I'd say too on incentives is what we saw, I mentioned already with the Black Home Ownership Initiative amongst the housing councilors and the member banks, credit unions et al., participating more. Whatever the product is, how do we just Tiena's got something going, and we join in with that and encourage member banks, you're going to be able to borrow an XYZ amount, or you're going to have access to this volume of a grant, this dollar amount of grant support if you want to join this program or special purpose opportunity. And I think that people will respond to that. They'll feel like they're a part of something that's been tested, tried, and true. The other thing I'd just say is the whole ADU space. The OCC of course has been doing their Project REACh pieces nationwide. And the LA group came up with an ADU white paper, which I thought was fun and interesting. And then said, "We need to do a pilot." Now that's where you stop the community people right there. And I joked with them about it. We did all this study and now we're going to do a pilot. Just put your money in. What are we waiting on? And so everybody started saying that to each other. And I think that there's a lot of momentum, at least in SoCal, and throughout the state to try to figure out how to leverage what Tiena's team started, how to build up programs. The state of California's CalHome program has been $150,000 a unit toward ADUs. How do we leverage that, and think about all kinds of products that we can be innovative about and encourage the members to participate. I'll stop there.

LaRhonda Ealey: Okay. Thank you. Robin, then Tiena.

Robin Hughes: Yeah, I just want to add a couple more thoughts to this sort of collective mission and direction. The Federal Home Loan Bank system truly does pride itself on its risk tolerance, and it's a shared risk and it's a collective risk. And perhaps having this mission approach pledge across the system is also reflect on that risk tolerance. How can we still do really great lending or investment, but in a way that's going to bring capital to communities that need concessionary rates, that need equity instead of debt, that need products that look like a certain way versus another?

Because I think if the system continues to try and match a national product that is not connected to what's needed at the community level, those outcomes, the impacts are not achieved. So I think thinking about risk tolerance across the system, and how to be innovative in the products that are produced. And know that we may all win, and that's the hope, but we're going to take some risk here, and that should be held not just with one bank, but with the entire system, I think is really important. And those are still the incentives. How do you get members to participate more, whether it's the banks, or the CDFIs, or even the credit unions. Again, thinking about where they're lending or investing and doing the activity, more affordable interest rates is really important so that they can deliver where those neighborhoods are needed. Security may not always be there. Lori gave, for example, that the Small Homeowner Association in Compton that needs the short-term debt to deal with the problem, and then they'll be able to pay? So how do we create more flexible terms and underwriting to really meet the needs of the community? So those are the incentives to produce products that members are going to take advantage of.

LaRhonda Ealey: Thank you, Tiena.

Tiena Johnson Hall: Yeah, I often get the questions of how do we get started? How do we incentivize folks? And I'll tell you what I heard at a recent conference. It starts with money. That's what it starts with, money. So putting the cash forward, I would suggest to you that the affordable housing industry in general has some of the brightest minds that I've had the pleasure of working with. And if money is at the table, they will figure it out. So I think allocating some real hard cash that is flexible and available will actually start the conversation rolling. And then introducing those ideas and that pot at centers of influence. So that might include in the state of California, for example, Housing California, where they get the message out. And there are various other conferences that I could suggest. For the housing finance agencies, it would be the National Council of Housing Finance Agencies. We meet every year. And all 53 of the executive directors tend to go in large masses. That is a huge center of influence of getting that information out and getting us to thinking about, if you all were to put dollars up, how we might be able to leverage the dollars that we have to get it started. Layering those two together will signal very loud and clear that there is a roadmap to addressing some of these issues that is available to folks in the industry who need it. Who should start it? We all should. There isn't a person in the industry that should not be having this conversation. Every time I come to Los Angeles or go anywhere, and I see people sleeping on the streets, I say there's no reason that we all shouldn't have a plan. No reason at all. Whatever that plan might look like. It should be a plan. It should be part of our conversation. And as Lori has said, a big part of that conversation has to be about social equity and the challenges that we have had historically that we have ignored because it only further exacerbates the problem because we have ignored it. We've gone 40 years, 40 years here in the state of California, and not been able to crack the code on housing and homelessness. And we're losing. If everybody is not in this game, and if everybody is not fighting, I would consider it a tragedy.

LaRhonda Ealey: Thank you, Monica. And then Debbie.

Monica Mejia: Yeah, so I kind of just wanted to comment on if the focus is housing as a focus of a lot of the stuff we've been talking about, and we've been talking about ADUs, single family dwellings and apartment buildings. And there's the large apartment buildings, and then I brought up the small apartment buildings as another group. And then the other way to kind of look at it too is also rental housing versus ownership housing.

And the vast majority of folks are going to use the rental housing. They're going to need the rental housing. That's the first place they come in when they're homeless. That's where the vast majority of folks in California are going to need their housing options. And so making sure that if the collective of the banks are pushing out credit and pushing out equity and pushing out money to balance that, because if you put too much on ownership, there's going to be people who are going to be unhoused. There has to be a right mix there to prioritize housing as the objective, is to make sure people are indoors as the objective. And we did talk a little bit about the equity aspects of ownership. I have a co-op project too. And the idea is to try to find ways to transfer wealth to folks, especially people of color, but that needs to be balanced with the vast majority of need, which is for people to be housed. And that's probably going to happen in rental housing. So you might want to do both, but you still have to have the right proportions to prioritize getting people inside.

LaRhonda Ealey: Thank you, Debbie.

Debbie Chen: So, I recently met a bank executive who told me they had a special fund for women and minorities, and that special fund has the same terms and rates, actually the spread might be a little higher, as their normal funds. And I think that's probably not a surprise, despite all the rhetoric that has happened these last few years around DEI and equity and inclusion. But I got to say, where some big banks won't go, the community banks and the regional banks will. And just to give you an example of this, I know this isn't true to generalize across the board, but there are certain regional community banks now that are willing to underwrite income from tenant-based vouchers through the Section 8 program for projects that are developed by non-profit organizations. And this is, I would say, something that's really only gaining momentum now. And I got to say, I understand from a certain perspective the risks look different. You got to know the community, you got to understand it to better qualify the risk. But it's just having this FHLB system, I think as a support to undergird some of the work they do is just a great thing to have.

LaRhonda Ealey: Thank you. And I want to circle back to the topic of risk. But before, Carol.

Carol Galante: Yes, I just wanted to weigh in on this topic of incentives to get the bank system, Federal Home Loan Bank system and the individual banks to have real mission-oriented goals. And I think we've talked a lot about what those could be. And I hear. Tiena, that money often drives behavior. But the other thing that drives behavior is being told that you need to do this, like regulation. So, I guess I would just say I think you've already started by having these conversations. I think putting the ideas in the Federal Home Loan Bank systems' boards and executives that this is something important. And whatever comes out of all of this in your recommendations, I think if there's a recommendation that this is they need to have these plans and they need to come up with these plans in a certain period of time and they need to be real, I think that would be incentive enough to get people to take this seriously. And for all the advocates and stakeholders that have been expressing these ideas to get behind being involved in the development of these regional plans. This is not just behind the boardroom doors, but a more transparent process. And I think that will probably end up with good plans. And if it doesn't, I mean everybody's on notice that there are certain senators, et cetera, that are going to start a different movement. I mean, that's the way it works at the end of the day.

LaRhonda Ealey: I understand. In thinking about risk, and I'll use quotation marks, because when we talk about lending to certain populations, financially vulnerable populations, this risk idea comes up. And the Federal Home Loan Bank system prides itself on the history of its, and again I'll use quotes, "no loss" posture. Do we feel or is there a need for the Federal Home Loan Banks to rethink this no loss posture, at the same time understanding that at the end of the day, they are a business and they have to make money and profits are important. And so with that said, how do we quantify how much risk the banks should or need to take? And I'll start with Ashley.

Ashley Thomas III: Yeah, we can start here, and then work our way back to the middle. So no, I was actually going to second Carol's motion. But I appreciate it. I think risk is varying. Risk has moved to a subjective state of mind in certain cases where data is not supportive in many cases of the idea that lending to this particular consumer is risky. There's been many cases where that data hasn't proven that. And so, I can't really quantify how much risk needs to be out there, but I definitely think that we have to move to this dream of home ownership has evolved to now it's, well, do you have to own a home? We're seeing the youth come up in making a decision that we didn't make 30 years ago and say, do I go to college, or I'm not going to go to college because one day I want to buy a house. We have to eliminate this notion from the community. So, in terms of risk, I think that we have the knee jerk reaction coming out of the housing crisis is we've overregulated, we've over underwritten in many cases, and I think we need to open up the box a little bit more and follow the consistency of the risk that we give to the banking institutions. There is a certain level of risks in those cases that we don't allow the consumer to get. I think PPP and COVID really exposed that. That it was easier for businesses to not have to go through a lot of red tape to get capital, but a consumer couldn't buy an appreciating product, which is a home. And so I think that we just have to rethink that.

LaRhonda Ealey: I'm not sure who turned their card first, but I'll just move to this side of the table. Lori.

Lori Gay: I was trying to think about risk. And this scenario I gave you earlier to us is not risky, but to the typical bank, it's a real problem because the source of income isn't enough to pay something. So fine, we defer it. That thought is not there. Hence the CDFI movement and others. We're members of the National NeighborWorks America network. And what we keep finding, the nation's public nonprofit since 1978, no one's out of business. And while there's always some fallout, there's over 250 groups that have been able to assess what risk looks like in their neighborhoods, and they go at it. And there are phenomenal other networks too, like Robin's and LISC and Enterprise. Everybody's doing what they do on the street. The banks need to join that. And look at the track record. This is an industry that's come of age now. Now the for-profit sector is raiding it. I will say that out loud unapologetically. And it's a mess. Bunch of for-profit folks don't care at the same level. And that same HOA may have to borrow at, what you said, from a CDFI at 5 or 6% seems okay. Well I'm at zero, so now what? So it's we should be available to undercut the predator. We should be available to undercut anything that looks normal that's not helping. And that's why we do public benefit work. And so I just would say risk is always relative, and it changes by region, it changes by person. And the partnership models that Tiena was speaking to earlier is how you mitigate risk. Financial education, financial literacy training, mitigate risk. Take out additional insurance that may or may not look like FHA, no offense, mitigate risk. We lend deep enough that we don't need FHA insurance on deals. Mitigate risk. And so, you just layer away at it to make it palatable so that all of your renters can be homeowners. I don't tell people how to live. 40% of my portfolio is 30% to 50% AMI. Why do they need to live in rental housing? See, it's that. On the other hand, we have a whole rentership society which wants to live in rental housing. It works for them. No problem. So I just believe people should be able to go on this housing continuum. And it's where does the Federal Home Loan Bank system intervene, help push up and lift so that everybody has a chance to play? And I think that's our legacy, right? It's our opportunity to really go big or go home, and we've seen what the secondary one looks like.

LaRhonda Ealey: Thank you, Tiena. Then Robin.

Tiena Johnson Hall: I just want to I agree 100% with Lori Gay. She is preaching life today. But I want to give you a concrete example of what she just said that we've experienced at CalHFA. Since we opened up our home ownership division, we have provided over 230,000 loans to first time home buyers. A significant portion of those loans have gone to Black and Brown home buyers, and an even more significant amount have gone to folks who are at 80% of AMI. We also go up to 150% AMI. But what I want to leave with you is that, for whatever reason, our default rate is still less than 1%.

Lori Gay: There you go.

Tiena Johnson Hall: Since almost 1975. So I leave with you that the concept of risk is something that banks need to look at very closely, and make sure that it's not conflated by other things that have absolutely nothing to do with risk at all. I think that wraparound services have helped tremendously, but I also think that, within this population, there are a lot of people who just want to keep their homes, and they've done everything they can to do just that. My parents were one of them. So I just think that we just need to look at that. It's a constant moving measurement. There's additional dialogue that we need to look at. We start with the facts, and I don't think that they're looking at the facts in the same way across the board.

LaRhonda Ealey: Just to piggyback off of your comments, and given the nature of our discussion, are there ways-

LaRhonda Ealey: And given the nature of our discussion, are there ways in which you think the federal home loan banks can encourage or strongly encourage their members to rethink or change how they are assessing the type of risk that we were talking about?

Tiena Johnson Hall: Well, absolutely as a regulator, they listen. They listen to banks, and you guys have a wonderful voice that impacts a lot of the often noted as bad players. And so you can be certainly influential in that conversation. You also offer to those banks something that I've already spoke about and that's liquidity as well. There's power in that relationship. And I would also say that you all deposit a lot of money with them as well. I could be wrong, but I think I'm right. And in that case, as a customer of some of those largest banks, you certainly have a voice. And I know that UF used it in various markets. San Francisco is a great example of that. But I think there is a space for even more conversations. You also have the ability to speak to folks within the bank that folks around this table can't talk to. So certainly there is an opportunity for the Federal Home Loan Bank to reach spaces within the banks that many of us can't.

LaRhonda Ealey: Thank you, Robin.

Robin Hughes: So, I want to reinforce this concept of perception of risk and evolution of risk, which both Tiena and Lori talked about. And Tiena just hit on this point. So I've been in this industry a really, really long time. And early on in this space, doing just basic 30 year mortgages to non-profits, doing affordable housing development was considered very risky. And the pricing on that was considered very risky. Lending to CDFIs to do home ownership or to do pre-development lending, all of that was perceived as being risky and therefore the pricing on that was significant. But you look at the sector and you look at this asset class, you even look at the home ownership lending of folks even around this table, and you will see very low default rates. So has the pricing and terms related to the capital that groups are getting been commensurate with the risk, which is now minimal that we're seeing. And that hasn't matched. So there hasn't been a match there. So I think the Federal Home Loan bank system can offer products to its members that look at this asset class, whether it's home ownership or multifamily, or even the organizations that are doing this work in a different way so that they can offer those products to their borrowers. I think that's really critical. It's also maybe the federal home and banks, as I mentioned earlier, thinking about how the banks use their balance sheets or their strength in a different way. Could the Federal Home Loan Bank system use their balance sheet to deliver a guaranteed loan fund or guaranteed pool of funds that are then available either for their members or managed by a member that can then provide capital at the community level that has risk adjusted rates in terms associated with it. But it's a different way of where that risk sets within the Federal Home loan bank. And then I do think there's a look at profit, it's really great to make profit, but if that profit could go towards how do I do a blended product to get more people into home ownership? So there's only so much debt that a homeowner can take on, but is there down payment assistance? Are there other ways to help? Is there just a capital grant that could be given to someone to support getting into home ownership? So there are different... So let's take down a portion of the profit and deliver a grant program or something that's significantly different. So I think one, de-risking how things are perceived and then tying the right way of pricing and underwriting to them. And then just think about where does things need to look different and how can the bank use both its balance sheet and its profits to support them.

LaRhonda Ealey: Thank you. Ashley?

Ashley Thomas III: Yeah, I was just going to piggyback. I think so if we have programs that are developed, now we are hoping that the members take on the programs such as special purpose credit programs and those types of things. And what we've noticed is that that's not always the appetite because that's not what they ultimately want to do. So I want to kind of go back to Carol's point earlier. I agree, teeth are probably needed more than incentives in this particular case in order to reach the goals because basically we would create a program and hope for philanthropy work to be completed in that. I don't think that that will happen. I think the Black home ownership rate maxed at 49% in 2004. So you're looking at a class of people that majority are not homeowners. And so in any other business, any other industry, you will put all of your resources to go become profitable with this class of people that have a need. And we haven't seen that and we've seen it actually shy away. So I think you have to have some teeth in whatever your objective is going to be.

LaRhonda Ealey: Thank you. And I'll let Carol piggyback off of that. And then Monica I have a question about comments you made about, and your pre submitted comments, as it relates to structural changes, your thoughts on membership eligibility.

Carol Galante: So, if I could just comment something Robin and Ashley were both getting at, which is there a way of for... Well, I'm not going to call it special purpose, but for very community oriented... Theoretically you think you're taking more risk whether you really are or not, for the class of products, whether it's a new product or an existing product, it does get priced better. It gets underwritten on less restrictive terms. Why not. If you're doing a certain percentage of that and you charge a little bit more on the stuff that you don't feel like there's any risk on and you just cross subsidize, so you're still making profit, but if you lose on these perceived risky deals, you're still equal. And if you lose or if you don't lose, if this stuff doesn't turn out to be risky, you know, can then modify your pricing structure and your risk structure going forward. So figure out a way to pilot this or test it. Test these assumptions without betting the whole house. No one's suggesting they bet the whole house. Or I'm not suggesting they bet the whole house on something that they may not be comfortable with today.

LaRhonda Ealey: Monica

Monica Mejia: Oh yeah, I'm not sure what you were talking about from membership though. Well, would you remember the question? No? No problem.

LaRhonda Ealey: You know what? I'll do a quick pivot. So also in your comment you mentioned technical support for home ownership counseling. Do you see that as being the banks providing it or just them providing smaller... Or grants to agencies that engage in those activities?

Monica Mejia: Well, I'll tell you that technical assistance, we kind of brought that up a little bit earlier too. That one role for technical assistance is to sort of grow the programs that exist already that provide counseling, credit counseling. Like ELAC is a HUD approved first time home buyer and we do credit counseling, we do taxes for people. We start talking to them about, especially if they're a small business owner, separating their personal income from their business and look at their business and make sure their business has income and expenses and run a separate income and expense sheet from yourself. And we help people evolve their businesses that way. We evaluate their credit with them. And I kind of mentioned earlier too that in our community, we have a lot of check cashing facilities there. And that to me is a sign that folks really need more education, and we need more assistance. We need more TA and lender assistance, credit, bank assistance to show up and fund organizations like my own and others that do credit counseling so that we can reach out to the community and say, "Hey, let's look into a bank option instead of a check cashing option." And that credit training, it can be very broad. I mean it can be for somebody who has a very tiny little business or it could be someone who's has a larger business or ready to purchase their own home or, and it could be for home ownership or for business evolution as well. So it's a broad range of TA for people.

LaRhonda Ealey: Thank you. Lori?

Lori Gay: I was just going to say ditto to Monica and underscore the three As of insurance some of us used to hear about all the time. Accessible, affordable, available. And what Monica's describing is that the community doesn't have all that. What they've got is the check casher sitting there. And when we lack basic economic services to families, we get the digital stuff and everybody's consolidating. But in the end, I can watch bank branches opening in all kinds of neighborhoods that are high middle class and high income and then go in south LA, go in East LA and other parts of the state and see where those banks are not. Clearly, we have to use an interesting [inaudible 02:27:22], I think, with the federal home loan bank system to encourage bankers to do more. And then the conversation around how much profit do you need? And so, I don't want to miss the opportunity to say on technical assistance that a number of small businesses do not own their real estate. So during COVID we saw the worst of it because people didn't have access, right? And they were losing businesses because they didn't have a place to be or they weren't owning it. And so I think that's a huge TA space that service providers can make available. Coupled with this affordable housing, credit counseling, financial support system. I would say that it takes more than just housing to build a community and encouraging members to think about that wholeness concept is something we sometimes lose. I watched the San Francisco Bank do a great job around diversity, equity, inclusion at the member conferences. They also started adding in TA workshops around more than using AHP. It was other types of product access. So that's every federal home loan bank can do that. And I think it's how do we add in with our partners, the kinds of TA support for members that will help them do more in the neighborhood.

LaRhonda Ealey: Thank you. And our time has wrapped up really quickly. Again, thank you all for such just enlightening and informative dialogue. So I have to just emphasized the teacher in me, and I know you all have already indicated a lot of the goals and ideas you have for the federal home loan bank system, but repetition is key. It helps to enforce and enhance and remind. So we would like to wrap up with a round-robin and forgive me of my poor time management. So we don't have a lot of time for each of you, but if you could take one or two minutes to share your blue sky ideas again as it relates to the federal home loan banks, whether it's about opportunities for funding creative ownership projects or the collective goals of the system. But to wrap up, and just so you know, Robin, I'm going to start with you, to wrap up. What do you think would be the best, again, not what would be the easiest and not necessarily the most easy and most practical, but if we had a blank slate, what should the federal home loan bank's mission related program framework look like? Or what would be some key features of that?

Robin Hughes: That's a big question. So I'll go back. I mean, if the purpose of the federal home loan bank system is to provide liquidity and capital for its members to invest in affordable housing and community development, what is truly needed is more flexible capital. And I really do think that's it. It's like, is there a way for the federal home loan bank system, for example, to... And I mentioned it before, to create a large pot of resources that can go down into its members and then ultimately the community and a more flexible way. And it goes above and beyond the AHP program. So if I think about our members need enterprise level capital so that they can go out and engage in the work that they do, our CDFI members need more flexible, longer term capital would fix interest rates. So I just think about matching the strength of the federal home loan bank system and its balance sheet and truly understanding what the capital need is on the ground and how do you create products for your members to access to make that work. So that would be my simple answer.

LaRhonda Ealey: Thank you. Debbie.

Debbie Chen: I like the idea that Robin proposed earlier of a guaranteed pool. I think that would open up a lot more possibilities and flexibilities among member banks and the clients they serve. But I will also go the other way and add to that regulation and requirements to underwrite differently, to quote, "take a risk," especially when the evidence is gathered, they've studied the area and they understand it. It's really not factually as risky as conventional sources might say. Look at alternative home ownership and alternative financing products, different ways of developing affordable housing outside of our usual LITECH program. And gosh, this is a blue sky list, right? And yeah, I would say, I'm not sure the means by which we would accomplish any of this, but if the membership requirements looked a little different, if the board capacity vis-a-vis the AHAC, what they were empowered to do or not do, if all of that looked differently, I think perhaps that's a starting point.

Carol Galante: I think I agree with basically everything that's just been said. I think just taking it up one level. Robin started with, if the mission of the federal home loan banks is to help affordable housing and community development, and I guess if you take it back farther, the mission of the federal home loan bank system, as I understand it, the reason it exists is to provide liquidity to more community oriented banks. Originally savings and loan companies who were making mortgages. So if you take that as the history, and you tell me if I'm wrong about that history, but assuming I'm right about that history, I think what we want to do is modernize that mission because it was a good mission with major exceptions in terms of its systemic racist policies. But if you say that was the mission, we need to get back to that mission. The federal home loan banks exist for liquidity of these member institutions if they are providing the community lending and investment in the community that the community needs, that can't happen without that liquidity help. And I'm not sure I'm making that entirely clear, but there are certain things that they do with their liquidity that I don't think are necessary for meeting that mission. And so that's where I would go back to redefining, goes back to one of Robin's initial points, but redefining and being clear about why the federal home loan bank system exists for these members and then making sure that they then act on that, execute on that mission.

Lori Gay: More blue sky. I'm thinking about It's A Wonderful Life, my husband's favorite movie, and those segments all throughout the movie where Jimmy Stewart's trying to save the bank, save the town. And I think we're at those pivotal moments without being Pollyanna about it in our country where we have an opportunity to say and do some things we've never done before. We should do that, because we're not progressing far enough given who we say we are. So with that in mind, I really encourage this focus on equitable and responsible lending with the mission statement that adapts to the world we're in right now. And that doesn't mean everybody loses their shirt. It means we all leave a little bit more in to make everyone whole. And I think that that notion in our society, as I was listening to some ways that people are responding to immigrant relief, refugee response this morning, everyone putting a little bit in matters. This system needs to do the same thing. And yes, it's going to look regulatory, like give more than 10% of your net profits, find the number, but what's got to be done. The other thing I'd say is increasing membership is still a very big deal. We saw it with the CDFI movement while it made things super complex and less grants available, I think the bank system could add more members that are able to access the advances for the right purpose so that more community members... It's just that ripple, right? And I think we don't expect that the bank does everything. It makes no sense. But expanding the portion of the pie that the federal home loan bank system does do, matters. Fannie Mae and Freddie Mac do not have it all figured out. HUD does not have it all. These are just lies we tell ourselves. So, we need to figure out the capital programs that haven't been done or replicate the ones that are doing well. And there's a lot of smart people to help with that. Groups like ours don't have to map all that out. We can help. But I think structurally the system can expand its impact and leverage what's going on in America to help everyone. And I think that the more we don't say it, the worse we are. And so products, accessibility, access to capital, there's 50 ways to do all that. Every nonprofit has the power to issue bonds that's in that work. Why aren't we accessing that? So I just think it's not as complicated sometimes as we make it. And that liquidity needs to be on the street. Thank you.

LaRhonda Ealey: Thank you. Monica. Quickly.

Monica Mejia: Yes. I guess one thing is if this is all about money flowing, liquidity flowing to banks and banks eventually lending to agencies like my own is I'd like to see better interest rates and better terms offered for affordable housing that's targeted in neighborhoods that are predominantly low income and where there's tremendous people in need. And I'd love it if that were transparent in some way because I never really get to see it from... And then for the banks, for them to be motivated to do that, and there has to be both a carrot and a stick. You can require it. But it'd be great if there was a carrot other than my thanks because it's transparent for me to thank them, right? But it'd be great if there was a carrot. You get more money. You get more money if you focus your lending in these areas. Some other carrots you can come up with.

Tiena Johnson Hall: I would like to see the federal home loan bank system. Obviously many of the housing finance agencies are dependent upon federal assistance, which can be very limited and inflexible, more flexibility from federal home loan bank system and the money that you provide helps us to do our jobs that much more better. And I also would like to have... my big pie in the sky is how we look at and how we define vulnerable communities. In California that looks... It just ranges. But I think what we're missing is the missing middle. The people that are working in the moderate income folks. We are missing preservation here in a major way. There's not even a lot of resources to address preservation. There is absolutely zero to address, in the home ownership space, two to four, which to me is ridiculous. Especially given what that platform looks like here in the state of California. So there's a lot of room for growth, but pie in the sky, you heard me say it once, you heard me say it twice. Money. And figuring out ways to leverage that money. And I have to go back to something that Ms. Carol said, which is accountability and helping us to hold people accountable for the money that they get.

Ashley Thomas III: And then I would just... You took the words out of my mouth in terms of accountability, I think terms as risk or equitable and responsible lending, we have to challenge back to make sure that those terms aren't used as disqualifiers. They're just large terms, pies in the skies, but were actually being weaponized against the community to not lend. So my request would be better management of the members and put it more regulatory teeth into the behaviors. I'll just give you one quick story. During COVID there was family, a financial institution changed their guidelines that wasn't FHFA guidelines for conventional lending. They said, "well, we're not going to lend it to anybody under a 700 FICO score." So that family was denied and walked out of that bank thinking that they couldn't afford a home. But there were a lot of other options available. And so mandating the second mile in terms of that interaction on a denial to go to somebody else, whether it's a housing counseling agency that might be able to support them and direct them to an institution that is palatable for that criteria, I think that we just have to go the extra mile. And so that would be my pie sky.

LaRhonda Ealey: Thank you. Thank you all so much. In closing, we would like to thank you for your very insightful and exceptional and valuable thoughts today. They will truly inform our understanding and how we wrap up this initiative, or rather the first part of this initiative. Some of the things that we think we heard you say today, just to recap, I won't share everything, but some of the highlights were for the federal home loan banks to modernize their mission such that the liquidity that they are extending goes to those in the community who are actually doing the work. The banks being attuned to the needs of those who are actually doing the work and developing products and having more flexible capital that these institutions need beyond the AHP grants. Also empowering the AHAC communities which are comprised, or the AHAC which are comprised of those who are actually doing the work, addressing the past and doing more for equitable and responsible lending and holding their membership accountable. And last but not least, having a combination of the care and the stick offering incentives, but definitely not negating the importance of enforcement through regulation.

So a big shout-out to the FHFA team that's behind the scenes, making sure that everything runs well and smoothly and that this very important discussion is livestream and goes without a hitch. The team who is behind this initiative, or who's working on the initiative, include especially our director, truly have exceptional care and deep concern about this initiative and are truly working to make something happen. So we encourage everyone to continue to visit our website regularly as we will be posting updates on a weekly basis. Next, we head to Boise on Friday to discuss support for emerging high-cost markets. And then on Monday, February 27th in Athens, Ohio to discuss affordable housing and community development in underserved markets.

Thank you all so much for your time today and safe travels home. And again, forgive me for extending this beyond our 12:30 deadline. But truly, I think it was worth it and this conversation has been excellent.