

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

LaRhonda Ealey: Good afternoon and welcome to the Federal Housing Finance Agency's second installment of a series of regional round tables. To those of you watching us live, we are in Chicago and pleased to be holding this round table here at the University of Chicago Booth School of Business. Our discussion today will explore the Federal Home Loan Bank's role or potential role in supporting financially vulnerable communities. My name is LaRhonda Ealey and I am a senior economist at the Federal Housing Finance Agency, and I am accompanying deputy director of the Division of Federal Home Loan Bank Regulation, Joshua Stallings. We would like to thank our esteemed round table participants, our guest for joining us here in person as well as all of you watching us live. We are very pleased with a high level of stakeholder interest in this initiative and we look forward to gaining invaluable insights from our guest participants today. I will now turn it over to Joshua, who will provide you with today's opening remarks, Joshua.

Joshua Stallings: Thank you, LaRhonda. And let me also say thank you again to our round table participants, the guest and those watching us on the livestream. I also want to say thank you to all of those that have worked to help put this together. Anyone that has worked with these kind of things before knows that for a two or three hour event, there are countless hours behind the scenes to pull everything together. So, thank you for the team for making this happen. We have been encouraged by the wide interest in this initiative, including from folks supporting affordable housing, community and economic development, banking and housing finance and academia and research. As LaRhonda noted, this is the second round table discussion. For the benefit of those joining us for the first time, we hosted our inaugural round table just over two weeks ago in Washington DC where we explored the question of the mission and purpose of the Federal Home Loan Banks. A video recording and transcripts of that event are available on our FHFA website, and I would encourage anyone watching today to also go back and watch that discussion. These round tables are the second phase of our Federal Home loan bank system at 100, focusing on the future initiative. A few months ago, the director announced the FHFA would begin a comprehensive review of the Federal Home Loan Bank system. We kicked off the initiative with what turned out to be a three day, three part listening session due to such a high level of interest. Once again, videos of this event can also be found on our website. For all those that are interested. Today's round table discussion will focus particularly on the topics of financially vulnerable communities. In this discussion, we welcome bold ideas, some of which may require legislative action to implement. We also welcome recommendations that can be implemented in the near term. The Federal Home Loan Bank system has remained a critical source of liquidity since its inception,

90 years ago. This is especially true in periods of stress and particularly for smaller members that often haven't had access to other sources of funding. Even with that being true, we would like to explore where and how the banks can expand their scope and thinking to be creative and to think more broadly about how the banks may help with affordability concerns that are being felt in all communities today. In this and future round table discussions, we are going to be asking some big questions of the bank's role or potential role in addressing housing, finance, community and economic development, affordability, the unique needs of rural and financially vulnerable communities and other related issues which will inform our actions. As the director has repeatedly stated, our stakeholders and potential stakeholders are important part of our review process. While our round table discussions are with a small group of folks, we are live streaming the discussions so that we can reach stakeholders and extend the reach to as many potential stakeholders as possible. We also believe it is critical to get out of Washington DC to give us an opportunity to meet with local constituents and hear about local issues and topics in addition to concerns that may be shared on a more national basis. We look forward to the discussion today and the feedback we will receive as we continue this initiative. With that, let me thank the round table participants again and let me turn it back over to LaRhonda who will review some of the guidelines for our discussion.

LaRhonda Ealey:

Thank you, Joshua. Before we get started, there are a few points that I would like to make sure that we have a productive and organized discussion. So, first, Joshua Stallings will be our moderator for the discussion and I will assist him by making sure we stay on task and on time to ensure that we cover the breadth of topics that we would like to discuss today. He will be directing the questions to our round table participants. We hope to have a very open and engaging discussion. No recommendation or views should be considered off the table. And we also encourage you to offer differing views about some very important questions that we will be covering this afternoon. As Joshua mentioned, we are excited about your bold ideas and recommendations. We also want this discussion to be orderly so we know that we will all engage in a respectful manner even though we may not all agree with everything that everyone is saying. To ensure that everyone has a turn to speak, we will ask that when you would like to say something or respond, that you will turn your name card to the site, as Joshua has demonstrated, so that he or I will know to acknowledge you and ask you for your response. Second, this review is meant to uncover the earnest thinking of the Federal Home Loan Bank system stakeholders, and highlight areas for further consideration. We ask that you give us again, your best thinking, your boldest and your best ideas, not just what is possible. Thirdly, we will have a 20 minute break roughly about halfway through today's event. I will alert us when that time has come. And finally, for the benefit of those on the livestream round table participants have been given a set of

prompts that we will reference during the course of this afternoon's discussion. I also have a disclaimer that I need to make you all aware of and that I will be reading verbatim. So, if I lose eye contact, please forgive me. We have organized this round table to obtain your input on the mission of the Federal Home Loan Banks, including input on several specific questions that were sent to you prior to the meeting. During today's session, FHFA will not discuss the status or timing of any potential rule making. If FHFA does decide to engage in a rule making on any matters discussed today, this meeting would not take the place of any public comment process. The rule making 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 rule making document, if we determine that a summary would be useful to explain the basis of the rule making. Anything said this afternoon, and that also includes reactions such as nodding, eye rolling, should not be construed as binding on or a final decision by the director of FHFA or FHFA staff. Any questions we may have are focused on understanding your views and do not indicate a policy or legal position. Participants in today's round table may have a financial interest whether direct or indirect on outcomes that may affect the Federal Home Loan Banks and their businesses. As Joshua 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 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. And with that business out of the way, it is my pleasure to now turn it over to Joshua.

Joshua Stallings: And I will say that some of the language in that disclaimer might be because I'm a bit expressive, so just keep that in mind. So, LaRhonda and I had a chance to meet with our round table participants already, but let's make sure everyone watching knows who they will be hearing from today. Let me ask that you introduce yourself and state your affiliation with the Federal Home Bank system, if any, and whether that be in a current capacity or a formal capacity. Let's start with a Wendell and work our way around the table clockwise.

Wendell Harris: Good afternoon. I am Wendell Harris with the Chicago Community Loan Fund, a local CDFI to Chicago. And our relationship with the Federal Home Loan Bank is, we've been blessed to have a 7 million investment that helped us to do the work that we do in the communities that we serve, which is primarily Metro Chicago, Cook and the five collar counties. And the work that we do is primarily real estate. Anything from land acquisitions to small one to four unit

affordable housing, to multifamily mix use, you name it. If it's in our communities, we want to help stabilize it. And beyond the collateral based lending, we help nonprofits and social enterprises with equipment and working capital.

Raul Raymundo: Good afternoon. Raul Raymundo, I'm the co-founder and CEO of the Resurrection Project. We have in the past used FHFA loan products for some of our developments. We are a social impact organization that began in the lower west side of the city of Chicago, but now are working metropolitan-wide, not just in affordable housing development community facilities, but also in immigration efforts across the state as well. Our immigrant community continues to grow immensely in the city and state. We also do a lot of financial literacy education and assist other organizations get stronger as we get stronger.

Pam Daniels-Halisi: Good afternoon. I'm Pam Daniels-Halisi. I'm managing Director of Community Lending at BMO Harris Bank and we serve a multi-state region, but Chicago Land and the state of Wisconsin are our two largest markets. And we are a big user of the AHP program. As a member bank, I believe that we have the largest portfolio of AHP loans that date back 20 plus years. So, we are very proud to be a member and a user of the programs that the Federal Home Loan Bank of Chicago provides.

Stacie Young: I'm Stacie Young, I head up Community Investment Corporation, CIC. We're a nonprofit CDFI lender. We focus on multifamily affordable rental housing. Typically the unsubsidized naturally occurring affordable stock. Typically, we're lending to small to midsize developers. Over half of our clients are led by people of color. So, we're doing, again, the 70% of the affordable rental that does not receive any subsidy. We hope to grow those small businesses that we provide access to credit for. And we've partnered with the Federal Home Loan Bank on a number of programs. We are a member of the Federal Home Loan Bank, have been pretty active in getting advances from the Federal Home Loan Bank. And we also have an investment of about 10 million, I think similar to what Wendell was talking about, and have also been able to partner on a number of programs that the Federal Home Loan Bank has created kind of quickly in an agile way in response to COVID and different market conditions over time. And I'm so happy to be here. Thanks for the opportunity.

Matt Feldman: I'm Matt Feldman. Thank you for inviting me. I am the chair of Common Securitization Solutions, which is the tech and ops company that supports

Fannie Mae and Freddie Mac's issuance of UMBS. And I'm pretty sure that's not why I'm here. I am also the immediate past president of the Federal Home Loan Bank of Chicago. I suspect that's why I'm here.

Anthony Simpkins: Hello. And I'm Anthony Simpkins. I'm the president and CEO of Neighborhood Housing Services of Chicago. It's the largest home ownership CDFI in the state and one of the few nationally CDFIs that focus on retail mortgage lending. We're also a HUD certified housing counselor. We also do real estate development, all focused on low and moderate income communities and households in the greater Chicago area, south and west sides of Chicago and the South suburbs, primarily. We are not a Federal Home Loan Bank member, soon to be, hopefully, but we work with a number of community lenders in Chicago who are Federal Home Loan Bank members who help us to access some of the grants that are there. And those have been very, very helpful for us in fulfilling our mission. So, very happy to be here.

Ianna Kachoris: Hi, I'm Ianna Kachoris. I am with the Chicago Community Trust, probably the only nonlender here, but we do invest in communities throughout the city of Chicago and our focus is on closing the racial and ethnic-wealth gap in the Chicago region. And we are very much focused in on how we can expand and preserve home ownership, particularly for Black and Latinx Chicagoans. So, I think that's why I'm here today. It's nice to meet everybody.

Joshua Stallings: Great. As we're working our way through, I will pose questions to individuals around the table, but as LaRhonda did state, if you want to follow up on something that somebody else is saying or if you want to further comment, please just turn your placard to the side and we'll know that we can continue that dialogue. So, we will spend the bulk of our time talking about areas of where the Federal Home Loan Banks, what they could be doing. But we will want to start first with your view of what the Federal Home Loan Banks are doing. So, with that in mind, Pam, can you give us any thinking on what role does the Federal Home Loan Bank system currently play in supporting affordable, equitable, sustainable and resilient housing?

Pam Daniels-Halisi: Sure. Well, I go back to the affordable housing program, which is key to help close a subsidy gap that exists often for the cost of affordable housing. I often, when I talk about affordable housing, will remind people that in this country, not just the city of Chicago, in this country, the costs to build affordable housing far outstrips the value and far outstrips the rental income that anyone can afford to pay. We are blessed in a city like Chicago that we have a lot of vintage

apartments that were built pre-war, post-war, that anytime winters go by that vacant buildings get torn down, it becomes really a shame because the cost to rebuild them is so high. So, the AHP program to me is one of those key products that allow some of that gap to be filled. Of course, everyone might, developers such as Raul Raymundo's organization TRP, will use those programs like tax credits and HOME funds and we have all those seven layers. Well, AHP becomes one of those critical layers. I will say in the last five years, you can see a difference that we apply for grants for our clients and I'm surprised at how much of our grant dollars end up going to the state of Wisconsin and less that we see going to Chicago. And some of that has to do with timing of when application dates go out and all of that. And I think that the Federal Home Loan Bank, along with IHDA, have been working on closing the gap of that, but there's still work to be done. I used to work at a bank called LaSalle Bank that eventually became Bank of America. So, I'm a user of AHP in that role when I was in community lending. And I will say that, I think it was called the CIP program, which allowed for fixed rates was critical to our bank offering fixed rates for LIHTC deals. Because initially when I, as a lender, wanted to offer this long-term fixed rate, I had to go through a lot with a bigger money center bank saying, we're going to give you 17 years. So, we worked with the Federal Home Loan Bank and did the CIP program and that was the introduction to us becoming a fixed rate lender. We stopped using the CIP program, but I will tell you that was the catalyst for us being able to offer fixed rates, long term fixed rates on a commercial loan.

Anthony Simpkins: Yeah, I just wanted to say that one of the points she makes is very, very important as somebody who, as an organization that's trying to fund retail mortgage loans, which are 30 year loans, the ability to access that kind of patient capital, that long term capital is incredibly important to us because most of our, especially our depository investors are really not interested in providing that kind of long term capital. So, that's critically important for a CDFI like ours.

Raul Raymundo: Could I add I, Pam you made a statement right now that I think it's going to set the context for, I hope what the next mission of Federal Home Loan Bank is and others is that we really have a crisis in affordable housing. The cost of building affordable housing is outstripping the affordability of families across the board. If we're really, truly serious about getting to what this mission is about, building wealth and building opportunities for black and brown families and leaving no one behind after crisis after crisis, we got to figure out what to do next. Because what I'm seeing on the ground and what I'm seeing in terms of products out there is a big gap.

Joshua Stallings: Sorry, and Matt, any perspective on what the banks currently do?

Matt Feldman: Well, I can offer the outgoing perspective. It's the outbound perspective. Couple of things. One is, and it was mentioned briefly, one of the sweet spots of what the Home Loan Banks do, which is actually in some ways less visible outside the membership, is the degree to which they support the membership. And since many of the members are community lenders and those members, pretty remarkably, even during the Great Recession lent with credit standards that didn't change, evaluating borrowers the way they had always evaluated borrowers and properties the way they had always evaluated properties. And if you look at the collateral on the loans that were generated, some of it is still in existence today because it just hasn't been paid down. So, the loan loss rates were very, very low. That's very important because those community banks probably would be challenged to exist without the Home Loan Banks. And the role that those community banks and credit unions play in naturally occurring affordable housing, albeit inadequate supply, is important to acknowledge. So, that's one area. You've mentioned the AHP programs, and I'm sure we're going to get into the challenges associated with the AHP programs going forward, but they're very important and they've delivered a great deal of value to communities that otherwise wouldn't have access, even including down payment assistance that allow people who wouldn't be able to access a loan at all to do so. And then last but not least, the Home Loan Banks in general, and Chicago has tended to be a leader in this, have put together a bunch of what are referred to euphemistically as voluntary programs. They're voluntary 'cause the banks want to do them, but they want to do them because there are needs in the communities, which none of us would think of as voluntary. It's necessary. But one of the benefits of those programs is they're not actually governed by rule making and subject to significant levels of examination. Which means the banks have flexibility to, and I think Pam talked about it in terms of the COVID relief funds, the ability to roll out a program in a matter of weeks is something that is generally not possible under a regulatory structure, but it needs to be available if Home Loan Banks are going to continue to be effective in what they do.

Joshua Stallings: Pivoting slightly, so regarding community development and what it means, Wendell, could you give us your opinion on what is the difference between community development and housing and where does community development end for the purpose of the Federal Home Loan Bank system or how we should think about that?

Wendell Harris: Sure. So, they all intersect at the end of the day. You need both. At the end of the day, I need to be able to walk out of my house and walk down the street and actually dine in my neighborhood. Versus when I leave Bank of America from work and eat downtown, I should be able to go to Bronzeville, Auburn Gresham, Englewood and actually have a sit down restaurant and have a good meal. Which intersects with the need for housing. And really kind of touching upon Raul's point around just the need for good housing as well, not only on the multifamily larger housing stock. And I noticed in some of the notes, some of my partners around the round table talked about the one- to four asset class as well. It's critical, 'cause again, that rising cost element is causing some of us to struggle with trying to get some of these housing deals done, especially, trying to help the city of Chicago fill in the vacant lots. We're working with, and I can speak with CCLF and I know CIC well, we're working with some local developers on new construction housing, good quality stock over in Bronzeville, we're looking at some stuff on the west side of Chicago as well. So, in doing that and trying to help them, we also need to figure out how to look at the various nodes and coordinate with the various agencies, the city, the alderman to figure out where we want to target to look at what is in that node from a commercial-retail standpoint and figure out how to stabilize it. And in that, there's so many different layers that we actually have now. We have Chicago Community Trust is doing some great stuff with We Rise, we have the city of Chicago with the Neighborhood Opportunity Fund and invest out west, which we're actually trying to do. I think we're starting to do a better job of it, but it's so much that needs to be done. So, I think to the point of, number one, the Federal Home Loan Bank is doing some great work in helping us to do our work, but I do think there is a need to figure out how to embed additional subsidy on both sides, on the developer side and on the homeowner side, so that way we can really kind of make things work.

Joshua Stallings: So, Stacie, do you have any views on how the Federal Home Loan Banks are supporting community development?

Stacie Young: I would echo what Wendell was saying. Housing can take you only so far. We talk about impact and CIC, we know we make an impact. We are doing a lot of affordable rental, again, in that naturally occurring affordable space that Matt was talking about before, with these small businesses, we know that we're not just improving these buildings blocks and neighborhoods, we're making lives better for tenants, we're growing the small businesses that actually own and operate these buildings. But at the end of the day, we're kind of doing this stuff around like this. And when you're thinking about an entire community, there's a lot of gaps in there that need to be filled in. Whether that's home ownership, whether that's commercial retail, we also finance mixed use and mixed use is helpful, but it's really tough when you have a lot of these vacant commercial spaces. It's not very vibrant for the pedestrians, it's not great for these buildings

and sort of the look and feel of the blocks. So, community development is important. Housing is important, but if you don't have this holistic, as Wendell said, at some point you're actually going to leave your house and it would be nice to have all of these other pieces filled in, whether that's commercial and retail, whether that's just creating a more vibrant community space through other investments.

Raul Raymundo: Yeah, I could add to both of my colleagues, community development is not just about developing tangible assets. The non-tangible assets in community are just equally or sometimes more important. And that is the people, the culture, the language, the values, the spirit of a community. It's very important so people could feel safe and shop and so forth. I think one of the challenges that we're seeing, and I think the members of Federal Home Loan Bank and Federal Home Loan Bank itself needs to continue to invest in these non-tangible assets. HUD certified counselors are playing a key role, not just in helping families become homeowners, but on an ongoing basis. We're a HUD certified counselor as well. And it's very important for us to continue to see how they could grow, not just become a homeowner, but eventually a business owner or something else that builds on that ladder of building wealth as well. And then with many of the deals that we do around affordable rental housing, it is getting more and more challenging to underwrite affordable housing for families. And then we are dealing with families who have a lot of challenges and not enough supportive services dollars to help those families move forward out of the challenges that they face so they can build wealth and build on those non-tangible assets. So, I think there are needs to be sort of a focus as well, not just on the bricks and mortar, the asset development, but the non-tangible assets as well.

Ianna Kachoris: Just building on that, I think that's a really important point. As we think about the people that make up these communities and to whom we are lending who we're aiming to provide affordable housing and thinking about just whether it's affordable housing as a rental unit or as a home ownership opportunity that doesn't happen in isolation of all the other things that are happening in a community, whether it's schools or commercial corridors or the other sort of assets that help make a vibrant community. And when we start to think about where lending is happening and where wealth is being created, we know that that wealth is growing faster in areas with greater community amenities and greater investment from a community development perspective. So, it's all connected to how we think about underwriting properties and making loans and doing all these things. So, it certainly cannot be in island. Housing thinking about how we finance affordable housing or home ownership cannot be done in isolation without thinking about these other areas.

Joshua Stallings: Pam?

Pam Daniels-Halisi: When I first got in community development in the '90s, yes. When I first got in community development, it was in the '90s and there were some communities that had a lot of vacant properties. So, community development in a lot of ways was about the place of fixing up the place and a lot of resources went to that. So, I just want to echo what Raul was speaking to about how do we think about the people. And Chicago, I will say is really, we're renowned for being really good at real estate and we have excellent real estate developers in the city of Chicago. And so sometimes we can, as community developers, we can get caught up in the before and after of the picture of the, this is what it used to look like, this is what, and not talk about the demographics of the people. And right now we use communities and neighborhoods that were once very segregated as proxies for the people. So, we may call out the neighborhood and that's a proxy for the people, but not really acknowledge that the people are on the move. That there's a lot of motion and mobility that's happening. So, we can fix up a place, do the before and after picture, be really proud of it, but not really held ourselves accountable that the people have been displaced or have moved. So, I'm trying to challenge myself with the work we do is to really ask people, talk to me about the demographics, talk to me about the place, talk to me about the people. And the other thing that was different between when I started in community development in the '90s and now, we had a lot more community development corporations that knew their communities and thought about what is needed and could advocate for it and pick out what needs to be done next. And those same community development corporations in a lot of ways were dependent on building the affordable housing and getting the developer fee and like that was how they were supporting themselves. And then when that changed, we lost them. So, Federal Home Loan Bank had some dollars that came out. It probably had to do with COVID, which I was really proud of, that we could give some resources, operating resources to help those organizations to think and plan and help support that so that they weren't so dependent on being, building the next latest and greatest affordable housing project, but do the same planning that we're talking about.

Joshua Stallings: Matt?

Matt Feldman: So, the conversation's completely on point and I just wanted to bring it back to the Affordable Housing Program and I mean the regulated program because one of the shortcomings of the program is it's focused on the real estate. It's focused on developing the housing. We squeeze in supportive services and we ignore the surrounding community. Because we don't have the ability to do that with it, excuse me, the Home Loan Banks don't have the ability to do that within the program. They have to use a voluntary program in order to be able to do it, which Chicago obviously has done. But finding a way to be more flexible in the regulated program and recognizing that affordable housing doesn't exist in a vacuum and humans live in the houses and they have to be able to have a complete community within the natural radius of that environment is

something that we've tried to push over the years and have yet to be successful in moving forward. I think the voices you're hearing here are incredibly consistent with what you would hear in any other community from the same kinds of resources about what the banks can do and what the banks can't do.

Joshua Stallings: Anthony?

Anthony Simpkins: Sure. Thanks. And I think again, Pam made an important point about the importance of really operating and capacity resources. It's interesting that you've got one, two, three, four, four CDFIs and we'll get into CDFI membership later on in the conversation. But to Raul's point, what we do. We don't just finance a bricks and mortar project. If we're lending to somebody that needs a mortgage to fix their home or to buy a home, we've taken them through home buyer education and financial counseling, we are with them afterwards with post-purchase services. We're in the community, that same community, doing community outreach programming. If somebody's getting a loan to do a rehab, we've got construction specialists that are going to babysit them for that entire transaction. Finding the house, scoping, pricing, bidding, overseeing the construction process. So, there's a lot of ancillary resources that CDFIs bring to a project that banks can't. And so the importance of supporting and providing resources to CDFIs gets at what Raul was talking about, which is community development is not just the housing, not just the apartment buildings, it's not just the bricks and mortar, it's all of the services. We looked at what NHS does on an annual basis. We usually between our lending and then our grants, 'cause we do a lot of government grant administration, we're investing about \$32 million a year annually in our target neighborhoods. But that is generating about \$10 million annually in ancillary economic stimulus in those neighborhoods. So, what we do is very different from what sort of a traditional lender does. And the most difficult financial support investment to get is the support that supports those that operating. The construction services that we do, generally, it's not supported by the transaction itself. We have to support that out of our own operating capital because there's no source for supporting that. So, to Mr. Feldman's point, as we look at how you deploy, whether it's CIP or AHP or whatever the programs are, to think about how the member banks support those ancillary services that especially the CDCs and the CDFIs are bringing to community development is going to be critically important, I think, moving forward.

Joshua Stallings: So, flipping over to administrative challenges. So, Stacie, can you speak to, are there any administrative challenges related to the Federal Home Loan Bank programs that you think are currently impediment to maximizing what the programs could do?

Stacie Young:

So, I'll leave discussion about member CDFIs to others at the table. I'm happy to pitch in later on that. But in terms of the AHP program, that program has historically gone to those larger low income housing tax credit, subsidized multilayered projects. And that's probably a function of a few different things. The application process is quite onerous and difficult. Compliance I think maybe is easier than it used to be, but it's still quite onerous to the type of owner that CIC lends to and finances again in historically disinvested neighborhoods, these are smaller buildings, smaller transactions. To Anthony's point, we are not just financing the transaction, we are working with these smaller owners sometimes from soup to nuts really, come back in a little while. Actually, you know what? The construction isn't quite up to snuff. Let's talk more about what more you can do and how we can finance you to get there. And the AHP program to the extent that some of these projects might have gaps and a lot of them is just the owner is putting in their equity and we're financing the rest. So, it's not tons of subsidized components. But to the extent that there were those kinds of needs, our kinds of clients, and again, we're helping those clients, those small developers to grow at the same time that we're financing the improvement of these small buildings that are so important to anchor our blocks and neighborhoods, they can't access that capital. And it's because the application process is very difficult. It's because of the compliance. And it seems like if that is the kind of, if you're looking to do some more holistic work in the neighborhoods, it is great that we are supporting the large subsidized developments. And I'm not suggesting that we not do that. I do think we should be opening this up a little bit by reducing the burden of that application and the compliance. So, these smaller developers not only can have access to that kind of subsidy, but maybe they do actually build some chops along some mini, okay, I'm learning how to do an application, I'm learning how to do compliance. Maybe then they build up to something if they're interested in the subsidized world. But right now they can't even sort of get their foot in the door if they wanted to do that. So, it's a lost opportunity to really help out these smaller buildings again that comprise 70% of the affordable rental stock, this unsubsidized naturally occurring or NOAH housing stock.

Joshua Stallings:

Yeah. Wendell.

Wendell Harris:

And I'm sorry, I know earlier I turned my sign around but my brother, Raul, kind of set the tone so I didn't need to say anything else after that. But I will add, 'cause I'm over here just boiling 'cause this is just a phenomenal dialogue. So, to Stacie's point. So, CIC and CCLF partnered with a small local advocacy group, Black Coalition for Housing on a small 13 unit building in Englewood 719 through 721 West 71st Street, 13 units. The challenge is the building is extremely distressed. With the work that CIC is doing on the acquisition, we partnered and provided this group the capital to acquire it and we provided them the rehab capital but it is so distressed. We went through so much to try

to figure out how to make a deal like that work. So, to Stacie's point, great advocates, but the capacity. So, those pass through grants that you all have given us in the past to go to these smaller organizations, they are critical. Even if they can start to become a larger pool, we're spending a lot of time just to help and there are dozens, like thousands of these smaller assets in our communities that if we had more support there, I think it would really kind of help change the narrative, single family, multifamily, larger AHP buildings as well as the commercial retail.

Ianna Kachoris: Just to add to that point, I think it's a really well made point and a very tangible example, but just to give a sense of the scale of the number of vacant and abandoned properties in Chicago. There are 50,000 properties in Cook County and the city of Chicago that are vacant. And so there's a real need for what Wendell is just describing and that's just the tip of the iceberg.

Raul Raymundo: I add to my colleagues again, we have a crisis, it's not either or, it's both and, all of the above. And part of the challenge with the current AHP program on large multifamily buildings is that it doesn't build wealth to develop family units, there's a lot of way towards, and again, it's both and not either or, more towards serving homelessness or supportive housing, which is critical, but at the expense of families. And the NOAH program for, in general preservation is less expensive than building. And in general, NOAHs are usually family as well and developments of LIHTC that are also family should also get consideration. So, maybe it's a dual program, not one program, one that focuses here and the other one is well over here as well. Because I think that's a challenge that we have right now. Both are equally important, I believe, but I think right now one is more getting the higher scores than others, if you will. And which ends up with the more of that funding. In the Latino community which continues to grow, it's sort of like a double edged sword. There's a lot of challenges, but a lot of also positive things going on, working large labor force participation, but also very low income, if you will. And so there's a hidden homeless population because there's tremendous overcrowding it in many of our communities and families and so forth. And so doing NOAH, doing family apartments is critical to prevent, in my opinion, homelessness as well.

Joshua Stallings: So, Anthony, you kind of dancing around another topic that might be an area of speaking about CDFIs that might be an impediment to further activity by from CDFIs with the system.

Anthony Simpkins: Sure, thanks. So, NHS is a non-depository CDFI. There are many non-depository CDFIs and all around the table is back there, all of the CDFIs represented here and you've got this when it comes to accessing advances and Stacie talked about how important those advances can be to a CDFI, you've got this collateral

evaluation process where CDFIs have to take a haircut, which can be as much as 40% of the collateral that's represented by the CDFIs. I assume it's because they're non-depos or not FDIC regulated, maybe, I actually don't know the reason, but what I do know is that where in a situation a depository member could access maybe a \$30 million advance CDFI like ours might only be able to access \$6 million because of that haircut. I think this gets into sort of a larger discussion about the Federal Home Loan Bank system and how it thinks about its role and evaluating risk. Because I think that becomes an impediment and the system is very proud that it doesn't use federal money. It's self-supporting through its member contributions and the paybacks of the advances. Because CDFIs are the members and those institutions that access the Federal Home Loan Bank system of liquidity that are the most prolific investors in the communities to which the Federal Home Loan Bank's mission is focused. And so to have a system which actually reduces their access to the kind of capital that is so important to their mission is really counterintuitive to the fundamental mission of the Federal Home Loan Bank system itself. I think in my comments I suggested maybe have an insurance pool that could be used to offset the need for the haircuts. I would suggest you probably don't even need the insurance pool. I mean, if you look at the performance of the CDFIs and our investments in our portfolios, they rival and are sometimes even better than your depository members. So, I think that's something, to the extent that we're talking about sort of maybe restructuring the Federal Home Loan Bank, I think looking at how you expand membership and how that membership is really supportive of CDFIs is going to be really, really important when you think about how you restructure it. And I mean, he said call him Matt. So, Matt, not Mr. Feldman, in his comments suggested maybe even thinking more broadly about expanding membership and how that affects how member banks think about risk. I mean there are CDFIs, there are land trusts that are doing some really incredible things across the country and could use access to cheap patient capital as well. That might be a way that you want to expand membership. So, yeah.

Joshua Stallings:

Matt?

Matt Feldman:

So, acknowledging that my knowledge is now almost two years stale. I agree with everything you said and in particular, the way the collateral evaluation process is both managed and regulated drives a level of, I think disadvantageous treatment for CDFIs that isn't merited by the performance of the assets. And this was a source of frustration for me when I worked there and I don't think that's changed. And it really needs to. I hope that part of what you're hearing here is the depth of knowledge of the communities that these organizations serve. And it's not something that is a resource constraint for the Home Loan Banks to serve because the resources are there. It is a matter of being able to

appropriately and not grossly over conservatively evaluate the collateral. There is a second issue, which you didn't bring up and I'm going to bring up anyhow, which is the, if you looked at the Venn diagram of what collateral is acceptable versus the businesses of the CDFIs and what they need, this sort of goes back to our question about community development or economic development versus affordable housing, there's a sliver that Home Loan Banks can lend on and the CDFIs around the table have optimally used the sliver, but there are a whole bunch of very high quality, good performing assets that are meaningful in the community that Home Loan Banks can't use as collateral. And some of this we know is statutory, but some of it is subject of rule and regulation and examination and it causes the banks to be overly conservative.

Joshua Stallings: Okay, thank you, all. Let's pivot to the future. So, as we're starting this discussion, I'm going to start with the assumption that everyone at the table would advocate for increasing the level of support for affordable housing and community development activities. Let's go around the table for a quick yes or no on that, just so we're all on the same page. Matt?

Matt Feldman: Yes.

Joshua Stallings: Anthony?

Anthony Simpkins: Yes.

Joshua Stallings: Ianna?

Ianna Kachoris: Yes.

Joshua Stallings: Wendell?

Wendell Harris: Yes.

Joshua Stallings: Raul?

Raul Raymundo: Si.

Joshua Stallings: Pam?

Pam Daniels-Halisi: Yes.

Joshua Stallings: And Stacie?

Stacie Young: Aye.

Joshua Stallings: So, setting aside the question of how much for now, let's explore where and how the Federal Home Loan Banks can and should be playing a larger role. Are there specific unmet needs that the Federal Home Loan Banks are not currently supporting, but can or should? Raul, do you have thoughts?

Raul Raymundo: Yeah, a couple. One, I'll just add to one I said moment ago, again, it's not either or is both and all of the above. If the program as it is right now for affordable rental housing, multi-family developments does not favor families. So, if there could be carve out for a family program, I think that would be important. We work with some of the members also on home ownership and home ownership is very important to building wealth and we've used in the past the down payment assistance program, but I must tell you it's very cumbersome. So, to the extent that it needs to be much more less complex. I will advocate for that. But it also right now favors again families on around 60% AMI or lower and that is very challenging to get families at that level into home ownership. So, I think that needs to be looked at moving forward. And just thinking coming here, couple of other suggestions on the home ownership piece. In addition to the down payment assistance, could there be some kind of matching down payment assistance program? I mean that gives families incentives to save for down payment, but the AHP program could also match that. Family saves \$10,000, there could be one for one matching or half a dollar per matching. That's additional support that the families can have to purchase a home, particularly in this environment right now where prices are high. So, that means you have to put your 5% down payment today is a lot more than it was 10 years ago. So, a kind of matching program also makes sense. And then the other challenge that we're seeing as well, in addition to higher prices and challenging down payment ability to save is of course interest rates. We are just getting hit by something we don't control. I don't know, maybe there's a way that the program and the home ownership could write down interest rates, one or two points. I'm told that if reducing interest rates by one or two points or underwriting could open up purchasing power up to \$20,000 or \$30,000 more. Our families right now the purchasing power, the pipeline that we have are somewhere between 220 and 260. But the homes that are out there are above 260 and interest rates right now have just pushed that even further. So, maybe that's another way to assist as well. Interest rate write downs, matching down payment assistance programs as well.

Joshua Stallings: Anthony.

Anthony Simpkins: Thanks. Yeah, Raul brings up a good point and this a little bit beyond Federal Home Loan Bank perhaps, but one of the things that is really important when you talk about home ownership is the sustainability of that home ownership over time. And so it's not just the price of acquiring the home at sale, but it's also the sustainability of that mortgage over time. So, down payment assistance is great, but being able to write down interest rates, especially in an era of consistently rising interest rates, it's not only putting that home out of reach of your moderate income home buyer at inception, but that also means over the

life of that loan, they're paying hundreds of thousands of dollars more when you compare 3% interest rate to a seven and three quarters percent interest rate. And if we're talking about home ownership being a vehicle for building generational wealth, that's hundreds of thousands of dollars that of potential wealth and equity that that family no longer has access to. And there are some rules now, I don't think you can buy down points more than like three points in a transaction or so you tip off into this sort of predatory lending area. And so I think there needs to be a look at that because that often what happens is there are rules created to protect people, but those same rules can create barriers to assisting those people at the same time. And that's one. I think the other thing, and this is really important too, to the extent that we're talking about not only building family wealth but also revitalizing communities. We know that strong communities need a strong middle class, they need rooftops that are going to support the kind of commercial developments and mixed use developments that my colleagues are going to be funding. So for instance, the AHP program caps at 80% AMI. When you are, and I think your website proudly talks about the fact that an average median household income of about 59% is where most of the AHP funds were assisting recipients. But when you focus all of your resources on the lowest household incomes that can possibly access home ownership, what you're actually doing is perpetuating concentrations of poverty and racial segregation. We need to be able to build strong middle classes and that means CDFIs like ours need to be able to provide assistance to a wider array of household incomes. I'm suggesting at least up to 120% AMI because what you have is you have a middle that's being locked out of assistance and cannot afford to stay in these neighborhoods where prices are both for rent and for home ownership are continually going up and you're capping people in their ability to continue on a positive financial trajectory. So, I think the program, again, this is probably an example of where you've got a policy that is actually begins to hamper its own objectives. And I think the other thing then is, I mean we can get into some details, the down payment assistance requires a lien. Well if it requires a lien, that means it gets counted against loan to value, which actually reduces the amount of down payment assistance that you can provide people, cause now it counts towards the loan of value when it is completely subordinated, it's non-paying. So, it doesn't actually affect someone's ability to pay their mortgage. So, why should it be backed by a lien? And so in a situation where I may be administering a program where I can give somebody \$20,000 in down payment assistance, but since it counts to loan of value, maybe I can only give him six. So, it hampers their ability to access home ownership. And then I think the only other point that I would make is the point that I think Raul made earlier was sort of the differential in certainly the AHP program, but in other programs too. And it's not just the Federal Home Loan Bank, but the CDFI fund, the Capital Magnet Fund, all kinds of other government programs that far outweigh, the support for affordable rental is far outweighs the support for home ownership. And supporting access to affordable home ownership really

gets at the root DNA of why the Federal Home Loan Bank system was created in the first place. But the support that the system gives to affordable rental is way more than it gives to home ownership. And affordable rental housing is critically important for neighborhoods, but affordable apartment will never generate equity and wealth for a family. And in a high cost city like Chicago where 60% AMI maximum rent for a family of four is anywhere from 1680 to 2100, that family could be paying a mortgage. And so more resources for home ownership will build communities and build family wealth. So, I think, what is it? 35% is the set aside for home ownership for affordable housing. I think it should probably be like a mandatory 50% set aside.

Joshua Stallings: Okay, thank you. Stacie.

Stacie Young: I want to start by agreeing with Anthony on a lot of these points and echoing what Raul said. I mean, I will always echo what Raul says. It is hard pressed to not agree with what Raul says, which is both, and. So I do want to just be very, very clear that this is, when we say community development, it's not that means rental, that means home ownership. It is both and. And certainly home ownership is critical to building generational wealth. So, I'll start by saying I don't know a thing about the down payment program, but I'm going to say something about it, which is it should be examined to ensure that it works well for two to four unit buildings. So, let's talk about both and, right? You've got an owner occupant, you've got a rental unit. This is a critical resource in the city of Chicago. A few years ago, I think it's declined since then, but nearly 40% of our rental was in these two to four unit buildings. I mean that's a gigantic chunk. So, I care about rental, I care about home ownership and so I want to make sure that that whatever home ownership program you guys are putting in place doesn't just work for two to four from a buyer standpoint for from a preservation standpoint. So, for the families that have been owning these buildings for a long time, they might be deteriorating and if they had the resources, I like what Raul said about a matching program of some sort. If they had the resources to rehab and preserve these buildings, that means that now they're going to be able to better able get their rent from that rental unit, maybe even create an accessory dwelling unit in the basement, get even more income. So, I think it's a critical piece to think about that preservation, especially in that chunk of the stock. Another idea that I think I maybe have hammered to death, but of course expanding on that AHP piece so that it is a little less onerous and accessible to these smaller owners in the neighborhoods. But also on the AHP, again, just echoing what everybody has said here, being able to use that money, that grant money for programs both and right? But whether that's counseling, whether that's property management training on the rental side, whether that's Anthony and I because we just brainstorm all the time, we are

talking about how critical it is to do a pilot program. If you want to do a pilot program as a CDFI, all I need is a chunk of money for a loan loss reserve and I can attract private capital in and then I've got a program and I can see if it works. It's great to have access to these chunks, these grants to be able to prove a concept. And as CDFIs, we are very unique in that we can attract that private capital, but we need that grant to start. And so having, whether the program is housing counseling, whether the program is some other TA or whether it's some pilot program, it would just be nice to have, again, along with everything else we've spoken about, that kind of flexibility.

Joshua Stallings: Ianna?

Ianna Kachoris: So, Stacie will always say this better than I ever would 'cause this is her bread and butter. And what Anthony was saying about increasing generational wealth through home ownership, and I agree 100% both and, and how do we think about that ownership and preservation strategy at the same time with these two to four units? And I don't know a ton about home ownership financing and the financing structures and the secondary market and the like. However, I know this is a conversation that's been going on for a long time. Are there particular types of products that should be created for two to four unit buildings that kind of think about the cash flow that comes from a two to four unit building differently than a single family owner occupied home? And maybe that's a place that the Federal Home Loan Bank can help innovate around the types of products that are necessary. This is a strategy that the trust has been thinking about. We in partnership with the JP Morgan Chase Foundation and others of initiative called Connecting Capital to Communities, and we're focused on two neighborhoods, Humboldt Park and West Garfield Park in Chicago. And this is part of our strategy is how do we attract ownership and preservation of these two to four units and bring in the capital. My colleague Lynnette McRae is here and if anybody wants to talk to her further at the break about that, but I think, this is a very deliberate strategy that we know that the financing is not necessarily there to meet the needs. So, I just wanted to double down on that comment.

Joshua Stallings: Wendell?

Wendell Harris: I guess I'll triple down on it, I guess. So, to everyone's point, kind of staying in the vein of the one to four unit space. So the city of Chicago has an initiative called the Chicago Neighborhood Rebuild Program, which Mr. Simpkins was heavily involved in at some point in time that initially started out focusing on vacant and abandoned single families and two flats. Started out 2018. Fast forward today, most of the work has been in the one to four unit asset class. And in that space, because of the type of work that this initiative was focused on, truly vacant and abandoned buildings, having that subsidy, having some other subsidy to go in because now we do have a small subsidy that the city of Chicago has dumped into the program, it's a partnership with CCLF, CIC, NHS,

Cook County Land Bank, and other investors have come to the table to try to find resolve in that space. But if in fact we had a larger equity or equity light pool that can go in on the developer side, a subsidy to be able to write down it would be helpful because this is growing into a more larger initiative that we're focusing on.

Joshua Stallings: Sorry, we've got to--

Anthony Simpkins: Quick -- **Anthony Simpkins:** Yeah, I know we got limited time. But this just occurred to me. One of the things that Stacie was talking about was loan loss reserves. And the rebuild program actually a perfect example of a loan fund that was able to raise the private capital that they needed because the city gave them a loan loss reserve. But certainly from the standpoint of the retail mortgage lending that we do, but a lot of the investment lending that's done, that secondary market is critically important. And I know some of the work that we're involved doing that is supported by the Trust actually is to look at secondary market solutions. And that is actually another place where you could use a loan loss reserve to attract investment to a secondary market for the kind of mortgages that we need to create for our borrowers. I think that's something that the Federal Home Loan Bank should definitely look at. Then we can aggregate those loans that are fairly idiosyncratic. Because we're trying to meet the needs of our borrowers, but we don't have a secondary market, which means we don't have the liquidity, which means we can't do the lending. If we had that, we could aggregate those and we could sell the MBSs later. And that means even the loan loss reserve investor, unless it's like a grant would even be protected. But I think that's something you guys should look at. Just off the top of my head.

Raul Raymundo: Let me add to my colleagues and several comments were made from preserving the middle class, the working class in this city. It's very important. They are the backbone of the city of Chicago and we're losing them. And what nobody seems to be paying attention is that by losing them, there's other social costs that are happening. Anthony made reference to the neighborhood I'm working on, and we got a lot of displacement that's going on. And at the same time, school enrollment citywide and in our neighborhoods are plummeting. Schools still have fixed costs and it's costing us all to maintain schools that are now underutilized throughout the city. So, we need to repopulate the neighborhoods. We need to create more home ownership opportunities in the different neighborhoods. And I've heard everything, the terminology of equity, subsidy, leveraging all, at the end of the day, whatever we call it, there is a gap. Home ownership for working families, middle class families, 80 or 120% of the median, purchasing power is around 250. Homes cannot be built for that right now they're over 300. So, preserving homes is very important. But if we're going to build, because there's 10,000 vacant lot in the city of Chicago and rebuild and repopulate neighborhoods and build, we got to figure out that gap, whatever we call it. 25 years ago, we were very successful through the new homes for

Chicago. We built over 100 homes. The subsidy then was about \$20, \$25,000 on average for families. Those families have built generational wealth. They were around \$120,000. Now they're worth probably close to \$400K. Proud to say about 70% of the families are still living in those homes and building equity and generational wealth. But we are in 2022 that gap of subsidy, equity, whatever we call it, has to be more than that. And that's how we're going to repopulate and create home ownership. All the other stuff of the financing and so, many other banks are expert at figuring out creating products. But we still got to figure out that gap.

Joshua Stallings: So, Pam, how should we think about extending reach while also preserving safety and soundness?

Pam Daniels-Halisi: Can you ask that question again, safely and slowly?

Joshua Stallings: Sure. Yes. So, as we're thinking about the tradeoffs as we're moving forward, how should we think about extending reach while preserving safety and soundness for the system?

Pam Daniels-Halisi: Just listening to this conversation, I'm thinking to myself, I don't envy you because everything I'm hearing, it's always that dichotomy of we can say both and, but you have to at some point decide what your priorities are. And I hope that part of how you do that is do the work and really do the analysis. Look at the data, see where the need is and the demand is. Because I go back to particularly I'm thinking of Chicago, we're really good at real estate, we're really good at real estate. And we will talk about real estate as if real estate is the client. So, when I'm hearing even just across the table with people agreeing, I'm also hearing the choices that Federal Home Loan Bank will have to make, rental population, home ownership population. I don't know if we're just - this is very Chicago centric, so I don't know if this is just a Chicago conversation, but Wisconsin's real estate and population is far different than this. And they're a client that you have to, members that you have to address. So, it's all in there. And if you do the work to say, where can we, Federal Home Loan Bank, make the biggest difference? You may have to make some choices. And I, although I will say we have at our bank has been a big user of the AHP grant and help affordable housing capital, an affordable housing gets done, I can see the difference that happens with home ownership. So, I want to further support this notion that if you're going to look at who you're serving, this is why I say go back to the people, what you set aside for home ownership should not be the same group. I believe in rental housing, and I don't think that having a home is the

biggest priority for a lot of renters. But for those who are ready to own a home, they should have some different criteria and go up at a higher income because in a high cost city like Chicago or Chicago land, yeah, I would not say that someone who's at the 60%, that their biggest financial priority is to own a home. And if they own a home and you say they should own a home in a formerly low income vacant land community, hoping that one day it's going to be gentrified and then they're going to become wealthy, that may not happen. So, when Raul speaks of what the success of the New Homes for Chicago program at that time, the communities that you were building them in were really growing. And I remember they were really crowded and it was a lot of demand to be in that community and other communities where that New Homes for Chicago were placed it, they didn't have the same experience. So, even in our community of Chicago, there's lots of needs. So, I would just say do the work upfront to see where you could most make a difference and make a choice and do it for some number of years. Don't just keep changing your priorities every year. That's hard for everyone, but at least for three to five years saying, we're going to focus on this, on these two populations, this is how we are going to do it. And then change it. Go study, do the work again, see how it works, and then change your priorities.

Joshua Stallings:

Matt?

Matt Feldman:

So, I want to pick up on your safety and soundness. That part of the question, although I think it dovetails very nicely. And we've talked a lot about it, but I'm going to reemphasize it in a different way. And I can speak to the Chicago bank more intelligently than I can the system, but I think it's generally true across the system. There's a difference between safety and soundness and elimination of all risk. And the banks have over the years for all sorts of reasons, not just the banks, but the regulator, have moved toward the most limited way in which they take risk. And one could argue if you just look at the results as no loan losses, that that is successful. But when you think of it in terms of what opportunities there have been that the banks were not able to access, I would argue it has not been as successful. I think there are many ways to look at particularly CDFIs, but other community players. And I think with the way Pam said it is right, do the work and in a dialogue, would the regulator come to the conclusion that what may look risky without any analysis is actually not risky at all. And I'll use an example because I'm at this point, I've lost track as to how old the community first fund is, but I know that several of the people at the table have loans from the community first fund, which are generally very long tenure loans with rates that are a scotch higher than the Treasury rate and are unsecured. And strangely enough, at least, unless the people in the corner tell me otherwise, the community first fund has not lost a dime. And that that should be at least illustrative of the fact that CDFIs, not all CDFIs, but CDFIs where the credit people actually do the work are not only reliable partners, but

people that can funnel money into a community in a way that very few other organizations can.

Joshua Stallings: Okay, Anthony then Wendell.

Anthony Simpkins: Okay, thank you. And I'm glad that we are having this risk conversation because, and certainly, I mean I look at things from a retail mortgage lending perspective, if you will, but the evaluation of risk simply is not colorblind. All you have to do is look at the HMDA data. And the reality is that at least in the retail mortgage lending sphere, black is associated with higher risk. And so when we begin to look at from the Federal Home Loan Bank standpoint, how you evaluate risk, I think you risk needs to be evaluated within the context of the objectives that you're trying to achieve. And to Matt's point, risk mitigation, safety and soundness doesn't mean the elimination of all risk. To a certain extent, that's what CDFIs are supposed to do. We're supposed to sort of evaluate risk differently so that we can do some interesting and and impactful things. The Secretary Fudge herself said that safety and soundness doesn't mean that you don't do anything. And so I think, yeah, this conversation about risk is I think going to be very, very important part of the discussion of the system and how the system is going to operate moving forward.

Wendell Harris: This probably would've been another scenario where I would've turned my sign around, but Matt, you hit on a point that I never really hear in forums like this. We have very low losses or we have no losses, especially in a CDFI space. I am constantly in this discussion with my external loan committee on a consistent basis because in my mind, being a young black man, father, parents from Mississippi, father worked at Oscar Mayer on the west. So, we're not doing enough. And especially when we have folks on our credit team that are credit trained, right bank folks, I still feel like I'm a banker. I have the banker on when I have the credit, but I also have to take it off 'cause I know my dad ran a youth program, didn't have much money, but had I been there for him, I might have helped him like a Kamau Murray with access to tennis. We have to be mindful of what it means when we only talk about the data. You have to layer the data with reality. And those are two different stories when you have them sitting side by side versus when you layer those on top of each other. So, go beyond the data.

Ianna Kachoris: So, I think my comment's going to build nicely on that. And when we talk about safety and soundness and risk at what cost and to whom. And when we think about how we lend directly in communities, I completely agree with you, Anthony, in terms of where it shows up, where the lending is happening or is not happening and at what cost. So, we actually just recently were working with the Urban Institute looking at lending in communities and in non-white

communities, we're seeing that lending is not sort of keeping up with the percentage of existing homeowners in those communities. And so we're missing out, one, we're missing out on an entire market, but where that lending is happening, if we're pricing that risk higher based on race or ethnicity, that cost is getting passed onto the individual homeowner in the form of higher interest rates or higher PMI. And so how do we think about what are the costs that we are asking individual homeowners or communities to bear because of this perceived risk and safety and soundness. So, I just wanted to make that point very clearly that who's paying for that over time? So.

Raul Raymundo:

Yeah, I would add a couple of things. So, I'm not a banker, nor am I going to pretend to be one, but I do believe that institutions have to be safety and sound, otherwise they're not going to do their job. So, very important. But I think the risk mitigation is done by the CDFIs, by the organizations, helping the families, preparing the families, bringing good customers to the member banks and all of that above is very important on the counseling families, counseling small businesses, getting them ready. So, a lot of that, from my perspective, is mitigating risk at multiple levels in one way or another. And it's also very important that the institutions reciprocate because earlier I mentioned to be able to do this work, resources are needed to help mitigate the risks so that these institutions are safety and sound. When they're not, we got to do something different. This year we're 10 years in assisting and rescuing savings and loan in the Chicagoland area 10 years ago, Second Federal Savings, which had challenges with safety and soundness, but many institutions then did during the financial crisis. That institution today as a result of being a credit union now is now done over 3,200 more mortgages in the Chicago land area. I mentioned earlier about immigrants, to most of them, to immigrant families. Five years ago we did the same with Seaway Bank. And it's now in a position to be able to do this again in both communities, black and brown communities. And again, it's the organizations on the ground that are paving the way for financial institutions to be healthier.

LaRhonda Ealey:

Thank you all so much for this very insightful discussion. I think this is a good point to take a break and then when we come back, we will resume our discussion on the future of the Federal Home Loan Banks. So, we'll take about 20 minutes, So, it's 3:24. So, let's be back at, I'll give you an extra minute, at 3:45.

* * *

LaRhonda Ealey:

Thank you, everyone, and welcome back. Before we get back to our conversation, I did want to mention that our director, Sandra Thompson, was not able to join us today, but I do want to note that she is a Chicago native. So,

this round table is very important to her and she's delighted that we are hosting this particular topic here. With that said, before we left off, we were having a really engaging conversation about the Federal Home Loan Banks as it relates to risk. And so we want to pick up with that conversation and I'll pitch you back over to Joshua.

Joshua Stallings: Yeah, thank you LaRhonda. So, Matt, going back to the discussion we were having on risk, traditionally the Federal Home Loan Banks have had a, what could be called a zero loss posture. Do you think that that is a position that would have to be reevaluated to be more effective in this space?

Matt Feldman: Let me answer that with a yes and no. I think there's a distance to go before losses are necessary. And let me place it in context. So, the history of the Home Loan Bank system was that at least for many years, very little permanent capital was present other than member stock. So, Home Loan Banks were reticent to build retained earnings, which is really the only kind of permanent capital they have. But certainly in the last decade, that has changed dramatically. And that retained earnings have several enormous benefits, one of which is protecting member capital. So, the member stock doesn't get degraded if there were a loss, but it also provides the opportunity to reinvest that capital when advances drop and there's a lot of liquidity available. Which means that the banks can, if they are properly retaining earnings, have enough income to be able to afford a more robust, more nuanced credit process than has historically been the case. I personally think that's the first line of defense, so, it's not do you take a loss or do you not? It's can you maintain the business model by more properly evaluating collateral, by evaluating the borrowers not as a gross class, but as to their competencies and afford to do that, which means you can't do sort of a one size fits all when you're dealing with institutions that don't have a prudential regulator, which you have to do if you're dealing with institutions that don't have a prudential regulator. But as I hope is evident here, not every institution that doesn't have a prudential regulator is inherently risky. And so being able to deal with that in a nuanced fashion, spending the money on an appropriate level of credit evaluation associated with it, and then if necessary, doing proper things to allocate risk based capital, for example, which means you have to have the capital to allocate not in the event of an actual loss, but to protect against the long tail contingencies. That's the way I would look at it. I don't think you have to go from a no loss policy to loan loss reserves and loan loss provisions and accounting policies that allow you to classify assets. I don't think you have to go quite that far in the Home Loan Banks to get a lot farther in terms of what we could do in the communities.

Joshua Stallings: Stacie, any thoughts on how a Federal Home Loan Bank could evaluate a non-depository to ensure that it meets the risk criteria?

Stacie Young: I want to go back to a couple of things that were said earlier. One is how important community development is. And CIC is fortunate enough to take a lot less of a haircut, I think when the FHLB is looking at our collateral and determining what our advance rate is because our loans look a lot like commercial loans. There's not a lot of other layers and kookiness that gets it looking strange. And probably strange, certainly at the time this policy was perhaps someone thought it looked strange that this policy was determined. So, I want to say, to get to real community development, these are the folks, I mean, this is what Anthony said before, it's the CDFIs. The CDFIs need access to capital beyond, housing is important of course, but all these other things, community facilities, the retail and commercial component, that's all really important. The people are really important. This is not just all numbers. That being said, it seems to me, Matt said a lot of really smart things and he knows a lot of things, but I'll just say, I'll just say, I mean, it seems to me that you could look at the records of these different types of loans and figure out what's going on, get to some general risk profiles. I mean, this is information and data that is readily available. It surprises me, and I'm not going to go too far down this path except to say, again, we're delighted with our advance rate, but it seems to me if you're looking at a low income housing tax credit deal, that lending is a lot safer. There are all sorts of eyes on that. By the way, don't reduce our advance rate because I said that. Anyway, so it's a strange thing sort of when we think about these loans in this world that doesn't seem like it should be taking more of a haircut. And again, I don't know all the different ways that you're currently evaluating, but it seems to me there's data out there. You could be talking to the CDFIs and the CDFIs would be able to provide data to show what's happening with these different asset classes that they're lending on.

Joshua Stallings: Anthony.

Anthony Simpkins: Yeah, I think this is probably really more of a question than anything else, but to a Matt's point, if you're a certified CDFI, you're annually evaluated by the CDFI fund, we're a Neighbor Works organization. So, we're annually and tri annually evaluated by the CDFI and by Neighbor Works, Aeris ratings. So, there's all of this data out there and ratings and evaluations and A133 audits and all this other stuff that talks about the strength of the individual organization and whatever portfolios they may have. So to Matt's point about, well they don't have a prudential regulator. In reality, we actually do have regulators because we can't maintain our status as certified CDFIs unless we pass very rigorous

examinations of our financial and our program management and our financials and all of that kind of stuff. So, I'm just wondering if, as you take a look at the risk profile, I think that should be taken into consideration when you're evaluating both the membership and the advance rates of non-depository institutions.

LaRhonda Ealey: Wendell.

Wendell Harris: And I'm just want to kind of add to, ' cause I know earlier I kind of sort of threw my loan committee under the bus, but to be serious to that point. At a granular level, there's so many mechanisms in place at the CDFIs at all of our institutions. Our credit committee pushes us to a heavy level of rigor from an underwriting standpoint. We have a great relationship with our chair and our board members. So, we're constantly talking about the different trends and changes in the market, but it also still goes back to some of the realities that we understand in our communities to be able to make good sound credit decisions. We have good sound teams and systems at the end of the day, ultimately trying to find the appropriate solution that goes back to the people.

Raul Raymundo: I would add, the reason we're here is like focusing on the future. And we are still in a crisis. Last time we had a crisis, there were some communities that were left behind. And as we think about rebuilding communities, black and brown communities particularly, and generational wealth, what is needed is access to capital, more liquidity, less haircuts and comprehensive development that goes beyond just building tangible assets. And I think that's what this conversation is about. How could the members here, the Federal Home Loan Bank is creating more inexpensive capital so that CDFIs could do daycares, could do businesses, could do housing, could do all the things that are necessary, particularly right now in this time of still the pandemic is waning, but other things we don't control, like interest rates and higher prices are causing more challenges. So, having more access to capital, more liquidity, less expensive is very important.

Joshua Stallings: So, one thing that seems to be a little bit of an undercurrent of some of the comments that are coming out is innovation and kind of trying to find ways to find new approaches. Ianna, any thoughts on where the Federal Home Loan Banks could lean in to be more innovative as they're kind of looking forward?

Ianna Kachoris: Well, I'd go back to the comment that I made earlier about two to four and are there innovative products that can be examined or explored or piloted by some of the folks here in this room? So, that's one idea. And I think we touched on it a little bit earlier, but this sort of the vacancy that we and other older cities like Chicago are facing and are there particular products that could be explored both around the sort of the developer side. I think Stacie, you touched on this. But

then also on the home ownership side. So, how do you both capitalize the redevelopment of a particular property and the purchase of that property at the same time? And so that's something that I think maybe there's more opportunity to explore there. And then perhaps even, I know this may be outside the charter of the Federal Home Loan Bank, but small businesses, many communities are facing challenges around access to capital for entrepreneurship. And maybe that's a space many folks take money out of their home to be able to finance their business. And are there other ways that we can think about providing those needs in communities? So, I think there's probably a lot of lessons to be learned from the pandemic and the crisis and the Paycheck Protection Program where we saw so many small businesses who were unbanked in traditional lending institutions and unable to take advantage of some of the products that were available at that time. And so maybe there's another way to think about the role of the Federal Home Loan Banks and supporting community investment through small business ownership.

Joshua Stallings: Wendell.

Wendell Harris: I'm sorry, every time I'm getting these comments, it's just bringing me to real points. As you all know, I'm the vice president of lending representing Calvin, but typically I'm underwriting deals now 'cause I'm understaffed. With that see it. So, going back to the point around one to fours and seeing models that work through the Chicago Neighborhood Rebuild program, we're supporting the one to four unit asset class acquisition rehab sale up to 100% percent LTV because of the stress in the markets. I don't have the detailed analytics right now, but we have very minimal number of assets that we're funding where we're at or above 100% LTV. So, again, this kind of goes back to some of that support and the risk because some of the rigor that our process is taking us through, and when you really look at some of these assets, if there's enough write down and other support there, a lot of these deals can actually work.

Joshua Stallings: Anthony.

Anthony Stallings: Yeah, looking to the future, I think one of the things, and I think we mentioned this earlier, is maybe looking at expanding the membership. We know that the membership has changed over time from originally savings and loans, now it's insurance companies and savings banks and commercial banks and CDFIs. And if you look at the retail mortgage and lending space, over 50% of lending volume nationwide is now with non-depository lenders. On the commercial lending side, there is a larger and larger and growing proportion of the investment community that is represented by private impact investment. Some of these impact investment firms are doing really important projects all over the country. It may be worthwhile to take a look at expanding the membership of the Federal Home Loan Bank system to some of these other players that are playing

an outside role and in many instances an even larger role than the depository members.

Joshua Stallings: Stacie.

Stacie Young: So, I won't repeat sort of the ideas I mentioned before about kind of pushing through some of the current programs and moving forward on some new initiatives. But I will say that the Chicago bank, the FHLB in Chicago has been a really great partner. I mentioned this at the very beginning of this, Matt's been saying voluntary programs, they have been quick, they have been trying to gauge the needs in the community and they have created programs again to help. And I think maybe Wendell mentioned this too, during COVID, I mean there are some grants that really made a difference, whether it was directly to CDFIs or to community groups and they were able to do that quickly, they were able to do that without all the red tape that I keep talking about. And I think it was really in response to a local market need. So, that's a really important fact, I think of the local banks that they be able to gauge those local needs. Another really important and interesting program that they recently started was the Diverse Developers Initiative, which was created to build the capacity of all these BIPOC developers we keep talking about here whether it's non-profits or for-profits, but really that's a creative program. And I think our local bank was trying to understand what are the needs and they did some proactive outreach to figure that out. And then they created a program that again was not laden with all of these difficult application and compliance requirements. So, I'd say that is one way to innovate is to say to the banks and challenge the banks, go to your communities and ask what they need, do this and give them that latitude, make sure they continue to have that latitude and flexibility to be responsive and to create programs that make a difference locally.

LaRhonda Ealey: As a follow up, Stacie, to your comments, can you expand some more about the difficulties that you are experiencing and maybe lend us suggestions of what you would get rid of or eliminate?

Stacie Young: So, on the affordable housing program, I guess my suggestion would be instead of having a 60 page application, let's make it four. And also, I mean, I shouldn't be sarcastic, truly this is a bad situation, okay? And 50 pages maybe is fine for people who like doing 50 page applications, but maybe there's a carve out that for smaller loan, like for smaller grants, so for the, again, these smaller developers I keep talking about, they don't need \$750,000. They need that gap that Wendell is talking about. And that is going to be the difference between a

vacant building sitting there dragging down the entire block and getting it done. And they don't want \$750,000, they want 100,000. I mean, that's giant for some of these buildings actually. So, if there is maybe again, a carve out both and we want more money to cover more stuff, but just the size, the scale of the application and then making sure that that compliance does not require an entire staff for that developer to figure out every single year.

LaRhonda Ealey: Thank you and we appreciate your candor.

Wendell Harris: And I just wanted to add to the comment around the Developers First. We supported actually DL3 on bringing on board a staff member. And I think it's key because you now have somebody from the community that wants to identify someone else from the community that may not have had that opportunity and may not have the bandwidth to actually pay a good wage to that worker and now they can bring somebody on board and the application process was extremely easy.

Raul Raymundo: One other program to consider Chicago's not known for co-op housing and that could be very important to the affordability, the one to four units and so forth. We're actually exploring right now, how do we create share loans to the extent that there's ways to work with the Federal Home Loan Bank in doing share loans. That's going to be I think very important for the small unit buildings and the affordable side as well. In addition to the other things that we've mentioned, I think that's another tool to deal with middle class families preventing displacement and rebuilding the communities.

Joshua Stallings: So, Pam.

Pam Daniels-Halisi: I had in my notes the shared equity, doing something along reducing the sort of the risk of home ownership. We can always do that little comparison where we were like, oh, you pay this much in rent so you could afford this in PITI, but owning a home is like having a pet or a child or something that the cost to do repairs and oh, how about property taxes? Could make home ownership not such a great idea. And I know that it's the American way that this is the first step to wealth building, but I think we have to come up with some other alternatives almost to say wealth building for renters. So, I shared equity is one thing I said, I thought of that maybe we could share the risk as well as the equity and that also could be an option for giving homeowners opportunities to not just move into a rebuilding community or a low income community, giving home ownership opportunities for folks to live in communities where it's a high value community or an increasing value community. So, I think something creative like that could address some of the needs we're talking about.

Joshua Stallings: Ianna.

Ianna Kachoris: Yeah, so I think there's a lot of work that's been happening and some of my colleagues at the Trust have been working on what's called community

investment vehicles, really looking at real estate intensive projects and efforts and what it would take to have community ownership of those, whether it's home ownership or a commercial strip mall or what have you. And there may be some capitalizing needs that are required to kickstart that community ownership. And so that might be something we'd be happy to share some follow up materials. I'm not the expert on that at the Trust but would be happy to connect folks to that. One other thought we've talked about access to home ownership, but there's a lot to be said for about preserving home ownership. And Pam comment about it's like having a pet, being a homeowner, there's costs that you don't always anticipate that you're going to have to bear, but there's a lot of existing homeowners who may be at risk of losing their home because they can't pay their taxes, because they can't replace their roof. And that's a significant cost. And so are there other types of loan products that don't require full refinancing for homeowners to be able to preserve that ownership? So, are there the sort of non-fully refinancing but other affordable lending products that specifically go to preserving home ownership and that asset?

Joshua Stallings: Okay, Matt and then Anthony, then we're going to move to the next topic. Matt.

Matt Feldman: I'm going to just put an accent on what the sense of what's come out here when people are referring to programs that the Chicago bank have put together. The reason the Chicago bank has been able to put together those programs is because the Chicago bank invested in people who would be in a dialogue with the community. They don't sit in conference rooms and just make them up. And the reason they're effective is because people like the people around this table and others give them guidance and they design programs around it. That may not seem like rocket science, but it does require an investment. And this goes back to the issue of you need enough income to be able to afford to make the investment in people and be out there, not episodically, but continuously. Because that's where innovation comes from. It doesn't come from bright ideas in isolated spaces.

Anthony Simpkins: Since we're talking about innovations, just a couple points that were made earlier that I wanted to reiterate to make sure that these are certainly on the list to be considered. I think that certainly on the home ownership side, and actually probably on the commercial side too, where the Federal Home Loan Bank can look at not just liquidity but also secondary market, which sort of related, solutions. I think that's really, really important. Certainly funding programs and also, I made the point earlier about sort of expanding at least for the AHP program and probably for some of the voluntary programs, the household income of the recipients and expanding that to encompass that 80 to 120% AMI income level. I think it's going to be really, really important from a community development standpoint.

Joshua Stallings: Thank you. Moving on to the topic of equity. So, we want you all to think beyond fair lending legal requirements. Of course, we do want the banks to follow all of those, but thinking beyond that, we'd like to explore equity considerations that should be factored in when developing and implementing Federal Home Loan Bank programs and products. So, Pam, if we can start with you, how have the Federal Home Loan Banks been doing on the topic of equity?

Pam Daniels-Halisi: I think in the last couple years, I would say post George Floyd period, I think a lot of organizations have been putting resources, dedicating time, pushing that envelope. And I know that we availed ourselves of getting some resources to couple of African American developers that we might not have otherwise worked with. And I know we have been working with developers and I would describe it as sometimes we have a ring of what we decide to do and you get pushed to have that ring just expand just a little bit more. And that right outside your ring was a whole lot of opportunities that you were denying. So, I think that some of those vehicles that we saw during this post pandemic, it's about how can we also have that be just part of the infrastructure and be consistent so that this is not just what I would describe in video game parlance. It's like a portal is open, it's closing and is like run, get as much as you can right now 'cause it's closing as we speak. But being able to say we're dedicated to this, we're committing to this like 10 years, name it, own it, we set the money aside or something to say that this is not just a trendy thing.

LaRhonda Ealey: Given the time that has passed since the George Floyd incident, would you say that those efforts are being sustained or do you see them kind of waning off?

Pam Daniels-Halisi: I don't know. I think that the initial efforts are out there. Thank you for that question, LaRhonda. What I am seeing is that some of the folks who sort of casted a line out, I'm starting to hear, well this didn't work or we didn't find anybody like the same sort of, we couldn't find anybody that you would hear in sort of DEI circles. We have the money but did you set up a ring or a program that just start getting safer, as Wendell will say, you end up having bankers and people who think about the risk at the table and then you just start whittling it down. So, I will say I don't know, I don't know because everyone who casted a line may have not seen success.

Joshua Stallings: So, Raul, any thoughts from you.

Raul Raymundo: This is an interesting question that has been in my mind and the irony of it is that black and brown communities have tremendous purchasing power. We're very loyal consumers adding to the economy and so forth and so on. But we're not owners of the economy yet. And that's, I think, where the challenge is. So, in

terms of this question of equity to be able to create more entrepreneurs, more businesses of color, it's not a one year program. A lot of this conversation about DEI this is something we've been dealing with for decades, but it just got kind of like fresh if you will in the last two years as a result of the pandemic. As the global pandemic wanes and the crisis wanes, there are other things that are not waning. And this equity question about creating more ownership in the economy, particularly of black and brown communities is very important. And it's going to take time and it's going to require experimenting and there'll be some failures along the way, but we have to be committed to it on a long term basis.

Joshua Stallings: Stacie.

Stacie Young: So, just keying off of what Raul said, we talk about home ownership and building wealth, just again, back to these small owners. And one thing maybe I should have said, my last response, a lot of these guys, maybe they started off as small contractors. I like what Pam said about sort of widening the ring a little bit whether it's your AHP application or other ways that we think about, whether we're going to give a grant or extend credit to someone, the track record is make or break. And again, I think CIC's success has been that we're able to be flexible and help people along and kind of get them through that first transaction. But if you're going to have an onerous developer capacity requirement that requires someone to be of a certain size before they can even break in, that circle isn't wide enough. Let's talk about building generational wealth. Small businesses do that. The businesses I'm talking about do that, but if they can't get their foot in the door because you're not making your circle wide enough and maybe you craft a special program to do that, but it doesn't have to be every, bit of your money or your programs that's going to make a difference.

LaRhonda Ealey: Are those developer capacity requirements relative to the AHP programs?

Stacie Young: Yes.

Joshua Stallings: Anthony.

Anthony Simpkins: Thanks. So, two things. To Stacie's point and I just had this conversation earlier today, as a matter of fact, so the Federal Home Loan Bank through AHP and even the voluntary programs is generally not providing resources directly to the developer, but they're providing resources to the community bank or the credit union or the CDFI, who's then providing those resources. But we have regulations compliance going up, so we have to push those down. So, perhaps building in some of those programs so we can reach those folks on the ground, the small businesses or in our case the homeowners and folks like that, building into those grants, some funding for the kind of handholding capacity building that we have to do would be very helpful. And I think the other thing is as the individual banks in the system at large, begin to think about, well what are the kinds of programs and resources that we want to put in place? I think you need

to keep in mind, and this is at conversation that was had also as folks were providing comments and considering CRA modernization as well, is that low and moderate income is not a proxy for race, it is not an effective proxy for race. Again, if you just look at HMDA data for instance. Folks are getting their satisfactory or better assessments in their CRAs and they're lending 40 times in a white neighborhood as compared to all of the black neighborhoods in Chicago. So, when you begin to craft programs, I think you need to look at other criteria than just, it's a qualified census tract. Because that is not really fulfilling the mission or reaching the goal. So, I think that there needs to be some very intentional reconsideration of how we are crafting programs so that they are actually benefiting those folks that have historically for generations, to Raul's point, been left behind. And how do we make investments that do in fact allow the folks, the specific folks that we need to reach to get them on an upward trajectory. And simply sort of boxing everything into this LMI category is clearly not sufficient.

Joshua Stallings: To follow up on one point that you'd made earlier, Anthony, you talked some about collateral requirements. Would a change in collateral requirements facilitate more activity at an institution like yours?

Anthony Simpkins: And I think this gets back to sort of the risk assessment. I think that two things sort of reassessing the collateral requirements, certainly for non-depository CDFIs. And if you're going to expand membership, you also have to sort of rethink risk assessments, assessments of the institutions and the assessment of collateral. But I also think, and this was a point that some of my colleagues made earlier about some of the voluntary programs, the more flexible they are with what institutions like ours that are on the ground can do, because we are the most able to identify and then respond to the needs on the ground. So, the more flexibility we have. And so I think that gets into issues of collateral. One of the most important resources that you had was nonrecourse. That's the most flexible kind of resource. So, more of that kind of stuff so that we can respond quickly and on the ground to the needs of the community is going to be really, really important.

LaRhonda Ealey: In addition to collateral, can you give us an example of one or two more flexibilities that will help you?

Anthony Simpkins: Let me think about that.

Joshua Stallings: We can come back to that. Ianna.

Ianna Kachoris: And I definitely can't speak to that, but I do want to tee off of what Anthony was saying about, sort of how you might be able to look at equity considerations without it sort of jeopardizing legal requirements around fair lending. I think there are lots of points that can be considered that apply a racial equity lens in terms of not just when loans are made, but on the back end and really examining where those barriers might be disproportionately impacting

communities of color. Agree, LMI is not a good proxy for race and where folks are able to access loans, we know that that different, we're not meeting the demand that exists in black and brown communities for home ownership lending. And so really taking a close look at what those practices are on the back end, even if you can't do it on the front end to say where is lending happening for whom and what's the disparity that might exist? And so as many of your member banks are also subject to other regulatory requirements, are there ways that the Federal Home Loan Bank can also hold its members accountable to outcomes in lending?

Joshua Stallings: Can you expand a little bit on that? How would you envision them holding their members accountable?

Ianna Kachoris: Recognizing, I know very little about how the membership actually works, but membership does have its privileges I'm sure. And so how are you convening, how are you bringing the member banks into a conversation around disparities in lending where they may not see them and what the restrictions they themselves might be putting in place, talking about other structural systems and barriers. We've been thinking a lot about the appraisal gap and the interaction between home lending and appraising the differential and appraising that happens for black homeowners or borrowers and white borrowers. The Federal Home Loan Banks are not existing in isolation from those systems. And so really opening up that conversation and really driving them towards what is their role in that system. So, I think there's ways to have the conversation without running afoul of legal restrictions.

Joshua Stallings: So, Pam and then back to Anthony.

Pam Daniels-Halisi: Thanks Ianna. You've triggered some ideas from me. I have had the pleasure of going to the sort of annual meeting where the members come together and I've always maybe been part of banks that were sort at that larger end of the banks that were present, but it gave me an appreciation of how important Federal Home Loan Bank is to provide those organizations with information and knowledge that at the bank, at the size that I was at, we take for granted with an economist and let's look at the financial trends and things like that we had in house. So, I will also confess that for my community lending shop, I have a dedicated staff person who works on the Federal Home Loan Bank getting access to the Federal Home. My tri assessor, she works with our clients to make sure that they put in the best application that they have. And I think some of the CDFIs are doing that as well to make sure that their clients are putting a good foot forward when accessing these resources. So, there could be an equity issue with that, just that alone that we have that dedicated person and we're paying that staff person to take care of our portfolio so we could be a good member

bank and responsible. So, Ianna, your idea is I wouldn't say is that they would act as a regulator, we have regulators, but I would say it could be more of a carrot of just seeing, providing the client, the member banks with research about, a consultant or something that comes in that does that data that says why aren't we getting these homeowners? Or what's their issues? We interviewed them. I'm a big believer in affirmative marketing and so even that, would you be willing to pay for an ad that's a big home ownership ad that says, did you know that you should be able to go to your bank? And those kinds of things. I was just sharing with Lynn and during the break I said, I know that I have the income, steady income, probably a good credit rating and all that, but when I apply for a loan there is still this residual feeling of just disgust and an anxiety of when I apply for a loan. So, I can imagine that that's the case for a lot of homeowners in minority communities to just say affirmatively, I mean you, I want you to apply, we have something set aside but teaching the members these kinds of things or giving them that kind of support. So, I just still go back to being at that meeting and thinking about how important providing capital, big capital, capital, but how information and knowledge could be a big benefit for the members as well.

Joshua Stallings: Thanks. Anthony and then Matt.

Anthony Simpkins: Just working on that last question. So, NHS, and I know there are a number of CDFIs that are like this, so, our CDFI is actually an affiliate of a larger non-profit organization and I know there are some barriers to membership because of that affiliate status. I actually need my chief credit officer in here to go through the details of what that is, but that may be something that you want to look at.

Matt Feldman: So, first, in representation for the Home Loan Banks, thank you for not wanting another regulator. I don't think the Home Loan Banks want to be the regulator. And thank you for the comment about information that is a huge part of what Home Loan Banks deliver and even the Home Loan Banks undervalue it. They do it and I don't think they understand in all cases just how impactful that is. The point I wanted to make because I know in Chicago we went through a massive transition and it ended up being an incredibly positive transition. This idea of doing things on the basis of racial equity and why it can't be episodic has to start with transforming the organization that's trying to do it right. And one of my friends and I had the honor of serving on a DEI board for making Chicago banking more diverse with Helene Gayle and with John Rogers. And John likes to say that nothing will happen in terms of diversity while boards of directors look like baseball before Jackie Robinson. And at the time I first heard him say that, we were adding our first African American directors to the board. And that was a decade or so ago. And what we found was as the governance changed and the leadership changed the way in which the bank thought about itself and the communities it served changed. And it took about a decade, fortunately, before the pandemic hit. But I think the bank exhibited itself and has since exhibited itself in a very different way because of the layers of understanding and the

desire to be responsive. I was there for the pandemic relief. And I will tell you, we felt the board was quite literally lifting us up to do it. There was not only not resistance, there was a sort of beautiful level of support for things that otherwise would've been feeling very risky. And so it does matter that the organization is transforming itself, not just innovating a product in response to a crisis or a perceived problem. Those things don't work. They don't sustain themselves. Changing yourselves into something that actually will work in the future does.

Joshua Stallings: Wendell.

Raul Raymundo: Can I add to this transformation or transition that's going on beyond DEI, which I appreciate what you'd said. Most of the CDFIs and member banks are the customers of the Federal Home Loan Bank. But we're also conduits to the end user. And this question about information is very important because we're entering the technology revolution even more and more and there's still a gap, a digital divide gap in some communities where education and information, financial literacy, is very critical so that we could be the engines for more customers for the members of the bank in Federal Home Loan Bank. And I don't think we've done enough there. I mean, some of the institutions are consolidating. Less branches going on, more technology going on. And I think we need to look at that space and how the Federal Home Loan Bank is going to deal with it and the member institutions as well. I could tell you anecdotally, in our community, particularly when they hear in Spanish on the news, interest rate gone up to 8%, well, and they just assume that everything is 8%. No, it varies on by institution, it varies by area and so forth. And so feeding information, dealing with the noise that's out there is very important because also the predatory lending practices are still going on. I often say that to build wealth, you first have to stop it from being sucked out. And there's still predatory practices out there. And so the technology, the information, the education is very important as well.

Joshua Stallings: Wendell.

Wendell Harris: And I just had a quick comment that's probably a bit dated now, but I want to just reinforce the need for non-recourse and specifically working with the member institution around how to create that non-recourse vessel that really ties to the voices that aren't in the room at that time to really make the connection and attach those instructions to that investment. And then beyond that, the other piece that we all have to be mindful of, there needs to be some level of compliance reporting, going back to compliance and how do we manage that. Because some of the shops that you work with, they may not have the capacity to where they need to go knock on everyone's door to figure out what's needed from the reporting standpoint. So, just trying to figure out how to make it all work in a system like that.

Joshua Stallings: And then we're going to move to the next topic.

Ianna Kachoris: Yeah, just, just a quick point in that the home ownership lending community investment lending is so fraught in our history, and particularly in Chicago around redlining and segregation, that I think when we talk about the people that are behind all of this work, the end users, there's still a lot of distrust, the lending institutions that we're looking to serve these communities better. And so, to the extent that the learning that can happen through the Federal Home Loan Bank system, acknowledging that history, reconciling that history and how do we move forward and actually meet the needs of communities, I think is really important role that the system can provide.

Joshua Stallings: So, moving to mission related program frameworks and we're going to slowly start to run out time here, so we're going to do almost kind of a little bit of a speed round on some of those questions here. If we had a blank slate, what should the Federal Home Loan Bank's mission related program framework look like? So, Matt, do you want to take a stab at that first?

Matt Feldman: Oh, sure. Well, first, and I think I said this is my written comments, we have to preserve what's there. The role that the Home Loan Banks play in supporting community lenders is not only valuable for the communities, but for many of those lenders, they wouldn't exist if we weren't there. And so not disrupting that is incredibly important. As Anthony pointed out quite appropriately, the mortgage market has changed quite a bit even before 2008, but then of course afterward as well. And you end up with a lot of non-bank lenders in the home lending market who are not covered by Federal Home Loan Bank membership. They don't have access to it. And most of the servicers don't have access to it. And, at least from my perspective, that creates a systemic risk that could be resolved with the right kind of structure around Home Loan Bank membership. I think it does require, and we saw this with the captives when they had the ability, at least the mortgage captives that came in. Home Loan Bank membership gives organizations the opportunity to not only expand their business, but sometimes adjust or change their business model. And that was happening with the mortgage REITs and with some of the other mortgage originators that managed to squeeze their way into Home Loan Bank membership, albeit not the right way. But access to membership with the right capital requirements and the right collateral requirements would provide at least a source of liquidity and importantly, potentially a source of long-term funding. So, I think that's a very important component of the mission. The other one is we really do need to, and I'm going to say this the way I mean it., fix the issue with CDFI access because we really have shortchanged the CDFI community, both in terms of the collateral we do accept and the kinds of haircuts that are available there. And the fact that we don't accept a great deal of collateral that is perfectly good in terms of assets, but doesn't fit within the narrow construct as we know it today. And that results in either CDFIs that can't join because it doesn't make any economic sense or join and can't really access

the banks in any meaningful way because they're simply in more in the economic development business and less in the affordable housing business. And that under serves the communities that they serve.

Joshua Stallings: Stacie.

Stacie Young: Just to build off of what Matt said, again, on the issue of CDFIs, which is I agree with everything he said, he's very smart. I'm like the toddler taking the approach, but I would say to add to that, it would be great to understand for the CDFIs that again, are not able to access these advances or the haircut is so steep that doesn't make sense or limits what they can do, understanding what impact they could have. I think that is a really important like, but for, like we're missing now the FHLB is not able to make this impact because they're not advancing as much as they can to CDFIs that could really make a difference. And I think, quantifying that is that is to make a case for moving forward on everything that Matt said in terms of a different approach to what that haircut looks like. The second thing is, and if you kept us here until seven, boy would you have a lot more ideas. The longer we stay, the more ideas we have. So, that's a dangerous game. But on the grant side, let us build the box. I mean, we know what we're doing here. And so we are the CDFIs, we know how to build the credit box for these different programs where we understand our communities. So, give us the money, let us build the program, we build our box, you agree to the box and we can go to it. It's a simple, that's pretty simple, but it's pretty important because again, this is our work, this is what we do all day every day.

Joshua Stallings: So, Pam, do you have any thoughts on that?

Pam Daniels-Halisi: No, I concur with both what Stacie and Matt said. Anyone who knows, when I go to meetings, I say the same thing and I even looked at film from 20 years ago and I was still saying the same thing. Put the people in it like, so when you talk about community, just put the people back in it as well so that you're helping community banks serve their community and just make sure that that's in the mission. Thanks.

Raul Raymundo: I would add, I mean, you have to do what's working. And Matt pointed out what the purpose of Federal Home Bank exists and what's working. But I would also emphasize, you asked the question about mission and moving forward, Federal Home Loan Bank at 100, what is next 100 look like? We don't have 100, none of us will be here in 100 years. I think we have to treat some things with urgency. Some of the things that we talked about earlier about lifting communities, as this crisis wanes and so forth. We have to figure that out. And I think the Federal Home Loan Bank can play a key role as you are doing today, convening us, but also synchronizing and coordinating other efforts along the way on policy, on additional capital and the different things that are required to address those really systemic challenges that exist in communities of color. Anthony and I have been and others here and this around here for a long time where a crisis comes and goes and some communities never change. Why? The economy's booming

and here we are. So, I think hopefully this next phase of 100, we're treating this with more urgency, more intentionality on how do we address rebuilding communities.

Joshua Stallings: Anthony?

Anthony Simpkins: So, in reading some of the materials, one of the things that I guess was, I don't know, under consideration or discussion or somebody said, hey, maybe we should think about this is like consolidating some of the member banks. I think that would probably be a bad idea. The regional structure allows the member to access Federal Home Loan Bank that is closer to what's going on the ground. So, I think that's very important and we certainly wouldn't want to lose the one we have in Chicago. So, you can consolidate the rest of them, but just leave this one alone. But I think the other thing is that for the most part you've got a couple of core standing programs. You've got AHP, you've got the Community Investment Program, you've got the cash advance program, and those are your programs. And at almost 100 years old, I think part of that restructuring may be able to step back for a minute and say, are these the right programs now for the market that we have now? Which is a changing market if nothing else. We've got a lot of different players in the market that are absorbing more than half of the financial markets now when it comes to community investment and mortgages. And so are those the programs? I mean, from the standpoint of a CDFI, but also some of our, especially our community bank members, access to working capital for instance, might be something that you want to consider. And so I think you just need to take a look, obviously, as Wendell pointed out, non-recourse, access to non-recourse capital, it's really, really important. PRIs at the Community First Program, those are really, really important. So, there may be some other standing programs that some of the voluntary programs may be examples of standing programs that you want to consider moving forward.

Joshua Stallings: Ianna, and then we're going to move to close out.

Ianna Kachoris: Yeah, and this is not going to be technical still, but I'm struck by what Stacie, you were saying about, we know how to do this and I think we are so blessed in Chicago to have the CDFI community that we do here to do this work. But the CDFIs there's not enough. There's still not enough to meet demand in communities. And so how do we take what you all are learning and doing and piloting and innovating at the CDFIs and translating that into what we're, we're asking banks to do and to really bring that to the fore. And that maybe that's some of that shared learning that can happen, but also some accountability. I think we still need accountability in the banking system. And I'm not saying regulation, but I think there's something to be said for sharing data and information and making that transparent for that accountability. But I do think there's just so many great things happening here around this table that more people need to be doing what we're doing and it's about capital and the will. So, hopefully that where you guys take this can help enable that framework.

Joshua Stallings: To close out today we're going to do one round robin, a question to ask everyone to give us if there is one thing that we could get out of this effort, what would it be from your perspective? And we'll start with Raul because he might have to pop up to go do an interview.

Raul Raymundo: I think we said it enough. I think we need to really work with urgency. Everything, there's so many great ideas, great planning and so forth. To me is always that question of what's next. And I hope that what's next is not just this convening, but the implementation of some of these ideas and treating them with urgency.

Joshua Stallings: Wendell.

Wendell Harris: Yeah, I would agree, urgency as well. Some of us in this space walk with trauma. I saw George Floyd events growing up. I've been slammed on the police car. I've had a police officer pull his gun out on me late at night and I'm literally about to scream 'cause I feel like he's about to pull the trigger. So, I say all that to say, when I am working with some of these smaller developers that don't believe in us because they feel they're going to get the same answer and be it may, it may take some months for us to get through some of these transactions because the TA is not there. I owe it to the people to put my best foot forward, support behind them to make the transaction work because it happens one transaction at a time.

Joshua Stallings: Ianna.

Ianna Kachoris: I would just say, I completely agree with the urgency and that there's a lot of great things already happening. How do we take that to scale and what's the role for the Federal Home Loan Bank in that?

Joshua Stallings: Anthony?

Anthony Simpkins: One thing I would take away from this, I think is that to the extent that the Federal Home Loan Bank is looking at how it should be structured and things it should be doing moving forward, incremental change rarely has deep impact. Really consider, are there some fundamental changes in your structure and the way you execute your mission that's going to be more impactful. But I think sort of tweaking the edges and small, small changes rarely accomplishes much. So, be bold.

Joshua Stallings: Matt.

Matt Feldman: Well first I applaud you for doing this. I worked at the Federal Home Loan Bank for 17 years and we never had a session like this. So, thank you. And my hope is that, and I agree with the be bold, but be bold requires a three way engagement. It's the people in the community, it's the Home Loan Bank and it's the FHFA because the banks can't be bold without you and you can't execute

without us. So, in some form, the partnership is really a three-way partnership. And the dialogue has to be around what are the critical things that the banks can do and how are they enabled to do them?

Joshua Stallings: Stacie.

Stacie Young: Everyone has said this already. Evaluate what the needs are. This is what we're doing here, this is great. Again, the Chicago bank has kind of done this and created things. We also, Anthony said this before, we kind of know what works. There's a lot of expertise around this table and others. Learn from that. And maybe those things that work instead of being those voluntary programs, become the sort of standing programs or models. 'Because we know this worked over here. Maybe it'll work for you too. So, you have so much to learn from and draw from and you're doing it now by hearing from the local folks who know their markets.

Joshua Stallings: Pam.

Pam Daniels-Halisi: Focus on access. A lot of times we talk about low cost, low cost capital and whatever, but having access is still huge. And so keep that in mind that it's not always about having the cheapest because sometimes to do low cost means low or no risk, but increase access. So, I like this notion of the triangle, and then you used the word earlier about being lifted, like being lifted by having a do-loop of information. So, very well done to bring people to the table. But like how do you institute that, that you're willing to listen to your member banks and see what their needs are and maybe sometimes, like I say, help them get the information because they may not have access to resources so that they can do surveys and find out what their community needs actually are. Thank you.

LaRhonda Ealey: Okay, well, thank you, all, so much for a very informative and engaging dialogue. In closing, I would like to thank our participants for your thoughts today. Just to sum up some of the highlights from today, it sounds like definitely our director is on point because the Federal Home Loan Bank of almost 100 years ago could use some improvement and better serve the needs that are existing today. So, some of the themes that I heard, and this is not all comprehensive, but you gave us some very helpful insights regarding membership, support for CDFIs, also an AHP application reporting process, an application process that is commensurate with the level of funds being requested, expanded support for more comprehensive community development from the Federal Home Loan Banks. Also technical assistance from the Federal Home Loan Banks to their member banks when it comes to equity going beyond considerations such as LMI and census tracts. And it sounds like you think that the banks should have targeted equity goals and initiatives. And also a commitment. I do believe that our director's launching of this initiative and the implementation of round tables across the Federal Home Loan Bank districts demonstrate that commitment and also the urgency that Director Thompson has. We are hosting these in a relatively short time and she has committed quite a bit of resources to this. So,

again, thank you for your input and support and it takes a great team and a lot of people to pull this together. So, I want to give a huge shout out to the FHFA team, which is behind making this event a reality. Even though you've seen Joshua and myself at the table asking questions and taking notes, there are people here who have made this happen. And also people in our DC office who are watching and taking notes. We want you to know and trust that we do take your comments very seriously. We appreciate your candor and whatever we missed, it's recorded. And so we will be able to go back and see the video and also read the transcripts. We do encourage everyone to visit our website regularly as we will be posting updates on a weekly basis as we host these other round tables. Those will be streamed live as well. We encourage you to listen to those. Even if you can't listen live, you can always go back and find the recording. We are planning to complete 6 to 7 round tables before the year is complete, urgency, and several more early in 2023, urgency, we're on it. So, next we head to my home state, Mississippi, where we will be discussing Federal Home Loan Bank support for underserved rural communities. We are also holding a two part round table on native housing and community development. We are hosting part one in Oklahoma on December 1st and part two in DC on December 8th. And again, those will be released on our website soon. Thank you, all, for tuning in who watched us via live stream. Thank you all in the audience for coming. Your presence was definitely appreciated and we felt your energy. And thank you, all, for your time today and we wish you all safe travels home.

Joshua Stallings: Thank you, all.