FHLBank System at 100: Focusing on the Future Roundtable Discussion - Las Vegas, NV - 02-13-2023

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

Joshua Stallings: Welcome. I am Joshua Stallings, the deputy director of the Division of Federal Home Bank Regulation at the Federal Housing Finance Agency. I'm going to be joined today at the table by Chris Bosland, our Chief External Risk Officer. Before we get started, I want to extend a warm welcome to all of you that are serving on our panel today and participating in this discussion. I also want to say welcome to all of those that are joining on the live stream and those that are in the audience with us today. Before we get started and we go through some more of the ground rules of how this is all going to work, we want to start by hearing a few remarks from our director, Sandra Thompson, for whom with this would not be happening without her full endorsement. So, let's hear from her first.

Sandra Thompson: Thank you, Joshua. I do want to thank our round table participants for joining us today. I'm really excited about today's session and I plan to stay for the entire session because this is really important. The Home Loan Bank project that we are currently focused on is really a significant undertaking and I've been pleasantly surprised by all of the high level of interest that we've received around the country on this project. I would've never imagined when we started that we would be like halfway through round table session. We've had listening sessions and there's just been an inordinate amount of interest, and so we are just really excited about the opportunity to hear from the many stakeholders that are impacted either directly or indirectly by the Home Loan Banks. And we're really looking forward to the second half of the session, which we kicked off today in Las Vegas. I think the team is going to Los Angeles in a few days and then Idaho and lots of other places, but we really do want to be thoughtful as we engage on some of the recommendations that we're going to be moving forward. We look forward to everyone's participation. We are open to discussions. We do not have any preconceived notions. Those were the marching orders going in, and we are just really excited about the participation that we've received to date. And with that, I'm going to turn it back over to Joshua. Thank you.

Joshua Stallings: Thank you, Director. And so as the director mentioned, our round table today will focus on CDFIs and community and economic development. We will ask our round table participants to provide their best thinking on how the federal home loan banking system works with CDFIs and opportunities for improvement. How existing programs like the Community Investment program or the Community Investment Cash Advance program can be better leveraged to support community and economic development and what more the banks could do directly or indirectly to encourage more investment in community and economic development. For the benefit of those joining us for the first time, today's round table is part of our Federal Home Loan Bank system at 100, focusing on the future initiative. More information including the video recordings and transcripts of today's and past events can be found on our website. I would encourage you to visit the website to learn more. And frankly, some of the discussions we've had to date have been quite interesting, so I really would actually encourage people to look at them. Maybe I'm a little bit biased, but I think that they're worth the watch. So, we do expect and hope that we will have an opening, engaging discussion today and no recommendations or views should be considered off the table, and we encourage you to offer differing views about some important questions that we will be covering this afternoon. We do also want this discussion to be orderly. As such, we'll be asking everyone to turn your name placard. If you want to comment on after someone else's comment, just turn it to the side so that we know that you would like to add onto a discussion that is already happening, and we will call on you in order as we see the placards turn. Also, to ensure that everyone has a turn to speak since we are going to be covering several topics, if we feel like someone is going particularly along, we may interject to keep the discussion moving forward. Second, this review is to bring forward the views and reason perspectives of the stakeholders of the Federal Home banking system and highlight areas for further consideration. We ask that you not limit your responses to what could be possible under current conditions. We are also going to have a break about halfway through. That's something that we will kind of determine during the flow of the event. So, we'll signal when it's time and that break will last depending on how well we're getting through the topics, 15, 20 minutes or something along those lines. Finally, for the benefit of those on the livestream, the round table participants have been given a set of prompts that we will reference during the course of this afternoon's discussion. We also have a disclaimer that we need to make you aware of, and I will be reading that verbatim. "We have organized this round table to obtain your input on the mission of the Federal Home Loan Banks, including input on several specific questions that were sent to you prior to the meeting. During today's session, FHFA will not discuss the status or timing of any potential rulemaking. If FHFA does decide to engage in a rulemaking on any matters discussed today, this meeting will not take the place of a public comment process. The rulemaking document would establish the public comment process and you would need to submit your comments, if any, in accordance with the submission instructions on the 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 a rule making. Anything said today in this meeting, and that also includes reactions, nodding, eyerolling, should not be construed as binding on or a final decision by the director of the 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. 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 in any transcripts prepared will be posted on FHFA's website and YouTube channel along with any materials being presented today or otherwise submitted in conjunction with a round table." With that, I will turn it over to Chris.

Chris Bosland: Thanks, Joshua. Good morning, everyone. It's great to see you all here for what I think is going to be an informative panel. As Josh said, this is what the 112th round table we've seems like we've had. No, but the role of CDFIs in the Home Loan Bank system and in addressing the housing needs around the country have come up many times. And so I think it's fitting that we're having a panel. We've got a great panel to address these topics. We've got non-profit, for profit, we're got credit union folks. We've got depository, non-depository. So, I think this is a great panel. We all here at the table had a chance to meet a little bit beforehand and I hope we didn't leave all the good stuff in the room downstairs, but I'm sure we're going to have a great conversation. But so for the folks that are here and are watching, let's give everybody a chance to introduce themselves. State your organization, your familiarity with involvement with the Home loan bank, if any. It's not very great, no worries. We're still looking forward to your perspective. So let's start, Joe, down on your end. We'll work our way around.

Joe Neri: So, are these just live, no buttons to push?

Joshua Stallings: They just push the button when the green lights on.

Chris Bosland: When the green light is on.

Joshua Stallings: You're good to go.

Joe Neri: I'm good to go. Okay. So Joe Neri, I'm the CEO of IFF, which is a large diversified loan fund CDFI, and I'm wearing a few hats today. Hat number one is CEO of IFF. Hat number two is as past board chair and current treasurer of Allies for Community Business, which is an economic development CDFI that works in Chicago, formerly Oxyon Chicago, and then also as one of the founding members and continual host of the CDFI Federal Home Loan Bank working group, which has been for 10 years meeting as a group of CDFIs that very much wanted to be part of the Federal Home Loan Bank system and sees that participation as an avenue to capital to the communities that we most care about. And then finally, I am the designated Federal Home Loan Bank spokesperson for I4, Impact Four, which is the Low-Income investment Fund, Capital Impact Partners, the Reinvestment Fund and IFF, which are the four largest, highest rated, diversified CDFIs in the country. All members across different banks within the system.

Audra Hamernik: Okay. Hi, I'm Audra Hamernik. I'm the president and CEO of Nevada HAND. We are a nonprofit affordable housing developer here in Nevada. We have a staff of about 300. We serve about 8,000 residents a year. We have 5,200 units in our portfolio. We have 700 units under construction right now, another 200 plus under rehab. We think a lot about production, but we think even more about how we build more housing and how we help more people. We have our own construction firm, property management firm that kind of all rolls up into Nevada HAND.

Rodrigo Vela: Good morning, all. My name Rodrigo Vela. I serve as the Chief Financial Officer for the Raza Development Fund. We're one of the largest Latino community development financial institutions in the country. We are S&P-rated double minus since 2019. We've accessed the public markets as well that year, 2019, and we've been members of the Federal Home Loan bank since 2013. We love that access to the window that the Home Loan Bank provides to us. We have been sponsors for community development projects on the HP Awards programs and have brought that capital to our communities in multiple times across the country. And just as our colleagues here, we finance housing, we finance charter schools, and we finance community healthcare facilities. Thank you for the invite.

Andrew Gordon: Yes. Hi, I'm Andrew Gordon. I'm executive advisor at Clearinghouse CDFI and Arizona Market President. Great to be with everyone. We've been a member of the San Francisco Federal Home Loan Bank since 2011. One of the early adopters, were active as a borrower and very active in the AHP program. I think our first one is in 2012 serving a lot of underserved communities and a lot actually in Indian country. It's a real pleasure to be here. We are a for-profit CDFI. We're also a B corporation. Those of you don't know are familiar with B corporations, they're best way to describe it. It's like a Ben and Jerry's, or as you saw Patagonia recently went through with some ownership issues. The point is, it's a mission-driven organization and our investors know that part of our profitability goes to further our mission. Thank you.

Tunua Thrash-Ntuk: All right. Good morning, all. I'm Tunua Thrash-Ntuk, currently serving as president and CEO of The Center by Lendistry. We're a national nonprofit organization, primarily focused on providing resources, technical assistance, advising the small businesses. In addition to that, two of our other audiences that we focus on are others in the ecosystem of supporting diverse women-owned and other vulnerable businesses as well as local jurisdictions as they continue to move forward with strategies around equitable economic development. Prior to that, I served as the executive director for the Local Initiative Support Corporation in Los Angeles. So have an extensive background in the CDFI field. The Center by Lendistry is a strategic partner of Lendistry, a national black-led FinTech, CDFI, also for-profit entity and an SBA SBLC license holder, one of the only 14 in the country that are non-bank-operated. I also serve as co-chair of the Greenlining Institute Board of Directors. So you have that background and I'm a proud member of the Federal Home Loan Bank's Advisory Council, the San Francisco branch that is a region. So pleased to have served on there for the last six years. Thank you.

Wally Murray: Yes. Good morning, everybody. I'm Wally Murray. I'm the President and Chief Executive Officer of Greater Nevada Credit Union and our subsidiary companies are Greater Nevada Mortgage, Greater Commercial Lending, Greater Nevada Insurance. As a credit union, we are a not-for-profit financial institution, member-owned, member-controlled. We have about 85,000 members. We are the largest credit union domiciled in the state of Nevada, and in fact, one of the largest financial institution domiciled in the state. We have been a member of the Federal Home Loan Bank, San Francisco for a number of years, not as a CDFI, but just as a participating a member. We relatively recently received our CDFI designation within the last couple of years and are formulating and launching strategies surrounding that, mostly initially, with respect to assisting the Latino population in northern Nevada.

Chris Bosland: Great, thank you. Obviously, there's tremendous breadth and depth of experience and I have to say, after, as Joshua mentioned, we give the participants some prompt questions in advance, and I was very impressed with not to insult the prior panelists, the prior roundtables, but you all did, you took your homework seriously, and I thought some great ideas. It was really impressive. I hope we can get out those points this morning. And in terms of setting how we're going to go about this, I think there's a lot of outside of this room perhaps, but some confusion or ambiguity in the terms. And so I guess I'd like to start by ... We have regulations and there's some minimal statutory guidance on what constitutes community development or economic development, but I guess I'd like to start so we could have a sort of sense of what do those terms mean to you all. What is community development? What does it encompass? And perhaps what doesn't encompass? So when we talk about what the Home Loan Banks might do, make sure we're talking about the same kinds of things. So Tunua, could I maybe start with you? I hate to send the fickle-finger of fate on your way, but thanks. Sure.

Tunua Thrash-Ntuk: So, I want to make clear that it's really important not to use community and economic development as interchangeable. I do think that there are two different sort of distinct activities when it comes to those areas. So for example, and affordable housing could be community development and could be economic development. But it also, unto itself is really its own topic that should be explored. When I think about community development in particular, I think a lot about community engagement. So being able to talk with community members, really understand what their needs are, then formulate some strategy around leadership and empowerment so that the community is really involved in whatever strategies come out of some sort of activity. So, for me, community development doesn't necessarily have to lead to economic development. It could and probably should, but it doesn't always. When it comes to economic development, for me it is about how are we designing programs, strategies and policies that give people access to living wages, how are we designing projects, strategies and policies that lower barriers for access for opportunity for small businesses. When it comes to economic development, how are we specifically looking at a place and making sure that that place has all of the wonderful things that we'd like to see in communities that create vibrancy in that place from a geographic standpoint. And so, you can see how in order to get to that economic development, you kind of have to have some level of community development. So, if you want to figure out what are the right kinds of living wages and jobs and opportunities that a community could take advantage of, you've got to engage the community, really understand what kind of skill sets might be in that community, and then also get a sense as to where people want to go and how we can transfer that energy, those specific skill sets into something that then creates economic opportunity. So those are some of the things that I think about when it comes to economic development. I really want to focus in on issues, like I talked about jobs, small businesses, procurement place, and creating vibrancy. But community development for me is an organizing tool in order to get there.

Chris Bosland: Thanks, Joe, with your involvement in the home loan bank system, do you have anything to add there or color from that hat?

Joe Neri: I think that what you're going to find is each of us talk about this is, it's going to be a slightly different way of speaking about it. I think of community development as the umbrella and economic development as a subset, because for me, community development is about how do we create thriving communities. Can't have thriving communities without jobs and wealth building, which I think is economic development. And I know Tunua would agree with that. So for IFF, affordable housing is part of community development. And I agree, I think it's something that often gets discussed separately. For IFF, we work very deeply in things like childcare, healthcare, education, and the human services and see all of those as part of community development, along with housing, along with economic development.

Joe Neri: I think the challenge here with the Federal Home Loan Bank is that it's kind of the policies, the rules and the practices of the bank make your economic development mission very difficult because small business development and jobs happens to have a collateral class that works when we're talking about typical banks because they're doing housing lending and they're doing economic development, and so they can pledge housing to get capital for economic development. But in the CDFI world, very few CDFIs do small business lending and housing lending. So many of the economic development business lending CDFIs are not going to become members. First of all, they won't qualify because of the housing test and then they won't just won't have the collateral to pledge. In the world, that's the challenge for this, the differences between these. And I don't think that definitions matter so much as the practicality of what collateral and what the missions are in the CDFI space.

Chris Bosland: Thanks. Although I imagine our lawyers are concerned about you saying the definitions don't matter. But I take your point. Rodrigo, do you have any?

Andrew Gordon: Defining those.

Chris Bosland: Well, and that is as we come to a world of scarcity, trying to prioritize funding, it does sort of come back to it, and that's why I asked the question to begin with, just because as you said, I think everybody comes at it with a slightly different perspective. So, Rodrigo, do you have any?

Rodrigo Vela: Chris, thank you for setting this stage of the dialogue because I believe it's really important for all of us to have that common understanding and common knowledge of community and economic development. I believe Tunua, you nailed it. An important piece that we've always seen in community development is listening to the community and hear what the community has to do in crafting those plans, in crafting their own communities. What I just add is that the nonprofits that are in the community and those community organizations that are there are the closest one to the community. And as much as the Home Loan Bank system wants to impact those low-income communities, the more that they want to do that, the more that they have to craft those strategies of bringing into the membership, those organizations that serve those communities. Because the typical bank is not going to be participating in those activities in those communities. And that's why it's important for the CDFIs that are members of the Home Loan Bank system as well, to have all the possible tools at the disposal to deploy their lending capital and additional capital that might be placed in the table from the Home Loan Bank.

Chris Bosland: Thanks. Something good Tunua said earlier involved. The next question becomes, and frankly is one of the reasons for coming out for these regional round tables is, hearing what the needs are, but it's explicit or implicit in the comments already about the communities you serve. So

I'd like to just give a chance, and Andrew maybe for you to start, what are some of the specific needs in the community that your organization serves?

Andrew Gordon: Without being specific, I agree with what Rodrigo said is that this membership that was created in 2010 permitting CDFIs to be members of the Federal Home Loan Bank. I think that was a great deal of wisdom in that because as Rodrigo says, we're closest to the community. We see the needs that are in the community. The challenge is the DNA of the money of the Federal Home Loan Bank to the DNA of the money that we put in the community, in my opinion. We talk about how the collateral that has to be pledged, for example. I think what you see in most CDFIs, I think other than maybe credit unions or whether a few, but most are non-depository institutions. So we don't have the capital and our debt that we use to lend to the community, we have to have sufficient equity or net assets or net worth in order to accomplish that.

So, equity investment in CDFIs rather than debt, much like the Emergency Capital Investment Program, the ECIP program that the federal government's put over, whatever, $8 billion in minority depository institutions recognizes that that can leverage maybe 10 times other money into the community where the community needs it. So it's a little changing it a little bit rather than just seeing debt, in fact has an opportunity to invest in CDFIs that can leverage that money to have the impact in the community with an organization that are on the pulse of the community.

Chris Bosland: And I think we're going to explore that in a little more detail a little bit later this morning. But before we get to some of your great solution, no worries. Audra, did you have anything to add about the communities you serve?

Audra Hamernik: This is interesting to me because we're not a member bank and we're not a CDFI. So we're dealing with lenders who are members and CDFIs that are members. And I think actually, we're closer to our CDFIs that are members because they're actually lending and we believe that their product that they're lending is a Federal Home Loan Bank product. I don't believe that's happening on fixed great long-term loans from our normal banks that end up on our deals. I just don't believe that that's happening right now. But the economic development side, we have a study done by the National Home Builders each year that looks at what the impact of our building does to the community. So no, it's kind of what Andy was talking about, that byproduct of money flowing through that wasn't necessarily an economic development initiative, but it ends up having an economic development impact because we're definitely trying to build units, just an average year, 107 million of construction activity, 1200 jobs during construction, and then a 25 million of rent savings. So that's just an average year of just money flowing through buildings being built, plus full-time jobs that remain afterwards.

Chris Bosland: Okay. Tunua.

Tunua Thrash-Ntuk: So, thank you. I just wanted to respond to the question of what are some of the needs that we're seeing out there. I'm not saying the Federal Home Loan Bank has to solve exactly all of these, but I certainly want to use this platform to bring some of those up. So specifically, when it comes to closing the racial wealth gap and it comes to affordable housing development, what we're finding is that diverse developers who are doing maybe their third or fourth project, really need a level of guarantee for those projects that they then have to go and pay pretty big dollars for to get from other developers in order to get that done. What that means is that the wealth that's created from those projects, including the developer fee, is something that they have to split with that guarantee source. These are developers who are technically proficient, can deliver projects, but simply because of our policies, need that level of guarantee. So being able to help them with some level of guarantee so that they can proceed with these projects and then maintain the wealth that is generated from those developer fees would be fantastic. And we're talking about a number of non-profit organizations, not for-profit developers, but non-profits that are going to be doing other good work with that particular source of revenue that they received. At the same time, the second item I'll just mentioned under affordable housing, and I'll only do two for housing and two for economic development. The other for housing is, when it comes to being able to widen the pool of who is actually conducting affordable housing. And we talk about wanting to invite women owners and diverse owners, developers to the table in conducting a affordable housing development, part of what we don't have as CDFIs is really a place and a way to help guarantee these new developers as they come in. So some of them need enterprise-level capital in order to continue the work that they're doing. It's really hard to get that to them, and sometimes they need some pre-development capital, and sometimes that's really hard to get to them again, because none of the programs, at least in the state of California, allow us to be able to guarantee those loans and that capital. So that's the second one. When it comes to economic development, if our goal, again, is to close the racial wealth gap, we know that the vast majority of small businesses that are accessing loans from CDFIs, are black and Latino borrowers, and they're asking for less than 100, 000. As a result, our really small CDFIs are out there making those loans, but they can only make them as fast as Andy pointed out as our capital will go. And oftentimes because they don't have enough capital, there is not ... And this is the solution that I hope to get to. There isn't a mature secondary market for our micro lenders. There isn't an opportunity for them to be able to sell those loans, thereby creating more liquidity for themselves and being able to service that borrower who we're all really focused on trying to get to. And then the second area, I'll say, and this I think is related to the pandemic and where people are with the great resignation and the number of people who have started businesses. And I mean these are people who have years of experience maybe in their field of expertise and are starting businesses. There just aren't enough sources of capital and guarantees to be able to support these businesses. And this is especially difficult for those whose history, again impacted by the racial wealth gap, don't have the family and friend network to start businesses with the level of liquidity and capital that's needed in order to be able to really get going. So those are four sort of top-of-mind needs that I see in community and would love to see how we could use the Federal Home Loan Bank system to address those.

Chris Bosland: Great. And before we turn to that, it'll be the next thing, your solutions for what they could do. But before we get into the. Solutions for what they could do. But before we get into the airing of grievances about what they're doing, what could be better? Well, let me ask you, what do you think the Home Loan Banks are doing well in this space?

Wally Murray: Well, I think the Home Loan Banks have some good programs, but, and again, I'm going to kind of go into what I think some of the opportunities are, but I think the programs are good. I think there can be more developed quite honestly. But to me, I know at my institution I can roll out programs all day long and I can have thoughts and idea. Our passion at our institution is about helping more people live greater. So we're an open book when it comes to that. That requires us to... We don't get to define what that looks like for people. So that requires us to do the kind of engagement that Rodrigo and Tenia have spoken about in terms of understanding the communities that we serve, where our members live and what those needs are. I could roll out programs that I concoct from between my two ears all day long. Some may hit the mark; some may miss the mark entirely. They're going to be uninformed. And so I think the opportunities that exist are in terms of engagement. Doing things like this, a round table that I was able to attend for a Federal Home Loan Bank San Francisco put on a few weeks ago in my area was very, very helpful. That kind of continued engagement, ongoing engagement, will really help flesh out at the grassroots level what some of these opportunities are and then how the Home Loan Banks can then design appropriate programs that really can get to the meat and to the root of some of those opportunities. So, I think the Home Loan Banks themselves, to directly answer your question Chris, they have capital which is very much needed. They have resources. They have plenty of connections. Again, if they want to be serious, truly serious about economic development, community development, every community's different and has different needs. Economic development programs across the various regions that the Home Loan Banks serve are different and to understand them, you've got to be engaged in those things. I think the Home Loan Banks can either directly from their infrastructure or through their members have the opportunity to leverage that.

Chris Bosland: So, I guess the sense of the room is that more could be done and there are some impediments. So let's delve a little bit deeper into some of the challenges that you all face dealing with the Home Loan Banks, or not necessarily dealing with the Home Loan Banks, but in using them to expand the works you're doing in your communities. I mean, I think there's 70 non-depository CDFIs 10 years or so after they were allowed to join. I think there's nearly 300 depository CDFIs, but I think in that case it's about 30%, a third of the total number of certified CDFIs, but it's only 10% of the non-depository CDFIs that are out there are members of the Home Loan Bank. So what are some of the challenges you face? We talked a little. You mentioned collateral, capital, but Rodrigo, what are some of the real challenges in doing more through the Home Loan Banks that you face?

Rodrigo Vela: At the end of the day, it's the level of capital as well that we have. We have a certain net asset base, a hundred million in net assets, and that we can only leverage it four times. So that's at the moment the size of the balance sheet that we have. And I got to compliment Joe, this idea of equity investment of the Federal Home Loan Bank into CDFIs is just fantastic because then that's a way of really adding capital to these entities that are close to the community. So that's one piece. You've heard many CDFIs, that's not the first one. If I say that the advanced rate on the loans are sometimes that haircut is bigger, then it could be for same loans on other institutions, definitely that would increase. I mean if instead of having 70%, we have that 90% of advance as others, that will be certainly adding capital base to our balance sheet. But again, it still would be that the maximum threshold that I could borrow is my net asset base or the net asset base of the institution. So Andy, I think you really nailed it.

Chris Bosland: Well. Why don't you say a little bit more about how you think that would work? I mean, as a practical matter for the Home Loan Banks to parcel out the money.

Andrew Gordon: Yeah. Well I think first it kind of dovetails with the haircut and I could probably use one, but there's a perceived risks in CDFIs. What folks need to get their head around, in my opinion, I mean, Rodrigo mentioned, they're S&P rated or S&P rated, we're evaluated, we have strong balance sheets, is that we take riskier loans, we take the time to understand the risk. That's the point. We have expertise in the area of risk. So I think the word to say they're higher risk is not the right word. The right wording is we take the time to understand the risk. Then when you evaluate the losses that we have, which I don't think are large, that sets the stage to actually become an equity investment, a long-term investment. I mean the Federal Home Loan Bank has cash and it could be invested in CDFIs and enable it to leverage those dollars. So we play in that space with the grant programs, for example. We love. I'm in the AHEAD program, I was pleased to be part of the round table and Marietta Nunez put that one together and we've exercised that. It's nothing in the amount of money, it's nothing that could really leverage into the community. And so I think that's an opportunity. Also, the distinction in the non-profit world, which most of the CDFIs are and we're for-profit, is that programs that do provide grants like the New World Foundations, a $100 million Federal Home Loan Bank of San Francisco initiative, they were only providing funds to nonprofits for example, but not equity either. They're programmatic. So, the question is, can we recognize that CDFIs, many of them, can leverage that money to accomplish affordable housing needs, community development needs, economic development needs. That's really the opportunity. So we do see it. It was a great education preparing for this in some ways. I mentioned the emergency capital investment program that the federal governments done. Well they've done $8.3 billion already in 162 institutions, minority depository institutions and the like. And the FDIC has just started a new program, the Mission Driven Bank Fund, which is they've invested in many MDIs and I think that's a couple hundred million dollars also. So people are looking at that on how to leverage the money that you have rather than just seeing it as debt. I don't know if that expands a little bit more on it. I have more thoughts on it, but I don't want to dominate the conversation.

Chris Bosland: Fair. Audra, you had wanted to get in.

Audra Hamernik: A couple things. Like you, Andy, preparing for today was great going through some of the documents. I found the four housing goals and they were all single family home ownership type goals. When I think about the needs in Nevada, we're a 47% renter state. I mean it's a huge renter state. We have 84,000 units for extremely low income, less than 30% AMI, people needed. That's our gap, 84,000 unit gap, in the targeted lending plan for this year for the Federal Home Loan Bank. They recognize that 81% of those, same number, the extremely low income people have severe housing cost burdens. Nevada [inaudible 00:40:44], we get 2000 calls a day for people needing affordable housing. So, the rental housing market here is where we have got to focus, and I don't think that that is aligned with the goals of the Federal Home Loan Bank right now. So that alignment I think is important and it kind of goes back to what Wally was talking about, about individual markets. One other just little side thing, we're hesitant sometimes to apply for AHP loans for a couple reasons. One of which is the environmental type of capital that we have to put into the projects for building methods. We're working right now. We've got a small round table of affordable housing developers in Nevada working through looking at different systems, not just what the Federal Home Loan Bank requires, but also in our qualified allocation plan for the state for taxes, low-income housing tax credits. Thinking through, if we look at these systems and the cost of capital, can they pay for themselves over the period of affordability? I don't think that seems reasonable. We also... Going through that process, we're finding that our climate is so, so different than the other markets that our solar systems in Nevada stop working after 80 degrees. They literally stop working. Their output stops. So, when we start putting high capital up front in trying to win, whether it's the low-income housing tax credits or AHP awards, sometimes it doesn't make sense depending on the market that you're in. Much, much bigger picture is, again, looking through the reports, the low-income community development activities report from 2020, it looks like there was 392 million invested in AHP funds in the system. And that's great and we appreciate every dollar. But to give you some context, so 392 million across the board. Our last project, Decatur Commons, which the Federal Home Loan Bank gave us funding for through a AHP loan that was 480 units, $110 million, one project. So the total impact, if that's across the country, it's just not significant. Our AHP award was $590,000 and we're thankful for every one of those dollars. But we know that the partnership with the Federal Home Loan Bank can be different, especially through CIP and CICA and that's what I'm a little bit confused about because some of the reports, it doesn't look like they're being utilized and I'm not sure if I'm not reading it correctly.

Joe Neri: You're reading it right.

Audra Hamernik: Yeah. So I don't quite understand that because I mean that's what we need. I mean, I love the AHP. It's great. I don't want to discount it. However, it's not going to make big impact. It's not going to really move the needle on those 84,000 units that we need to build in Nevada. So we need fixed rate, long term, low interest loans over the long run. How we get our lenders to participate... Our lenders who are your member bank, how do we get them to access those funds? I don't know the answer to that, but it's clear there's some sort of mismatch there.

Chris Bosland: No, that's a great point. Thank you for that. Obviously the grant funds are limited and you highlighted the need to do something more. We want to get back to the CIP CICA and why it's not used more, but Joe, you wanted to get in here, so let me turn to you.

Joe Neri: Yeah, so I don't think... The 900 pound gorilla in the room, it's haircuts. What the bank does well is it's a great wholesale bank. It is supposed to provide long-term liquidity to help us get capital into the communities that we care about in all of the different ways that we'll discuss but at the end of the day, once we get advance, we can create any program that we want and solve problems. We've done letters of credit for back when we had some extra collateral to pledge. We've done letters of credit for developers of color. We can just do it as long as we have the collateral. So let's get to haircuts. Andy said this very directly. We do not seem to have in this bank system consistency on how haircuts are applied to the CDFI problem and so we are suffering, and I speak now for the working group, because I'm a member of the Chicago bank. I have incredible transparency on every step of why I have higher haircuts. So, I appreciate the transparency. Many of our members have no transparency. So Fahe in the Cincinnati bank has a 50% haircut on mortgages in Appalachia, seems to me why you all were developed, with zero transparency of how that number's achieved. So, we cannot solve. The CDFI industry is full of geniuses on rubbing two quarters together and making it sound like a million bucks but we cannot solve without transparency what those challenges are. Right now it's like a death from a million paper cuts or haircuts. So we don't have a blanket lean, 5%. We don't know what's going to happen in bankruptcy. We don't have any bankruptcy data. Seems like that's a good thing, right? But we don't have that, 5%. We have liquidity on all kinds of our collab, liquidity challenges on our risk apparent debt, et cetera, et cetera. Another 5%. Then we just don't understand you, 10%. So, all of this leads us to haircuts that do not allow us to get the kind of our standardized collateral in your hands so that we can get those advances to do the things that Tenia's talking about, because we could with the wholesale bank. That's why we joined. So I think that a couple things need to be fixed systematically. We need transparency so that Fahe can figure out and many of our other members can figure out exactly what are the problems. If somebody said this earlier, we would get the collateral, we will make the things happen when we know what the rules are and that kind of becomes a standard. It still doesn't mean that we're solving all of the community needs that we can, but at least we can start to create things that are going to help us move this forward. So, transparency, you have to work on that. The second piece of this, and I think that this is the system and the regulator can do, let's get together, work together and begin to address the CDFI challenge. Which is, how do we start to deal with what the haircut's going to be for, liquidity, bankruptcy and so forth, because 12 banks doing it differently is killing us. So that's my comments on haircuts. I think that the final thing I'll say here, and I get very emotional about this because after 10 years, it's driving us all crazy, which is, if we had goals, and we'll talk about that in a second, then we begin to create programs that say, "Here's the needs in our community and these are why the safety and soundness people are going to have a problem." Okay. We know it. We've been dealing with rule. How again, do we figure that out? How can we create a program to begin to take on that additional risk? Because none of us want to take losses. We don't have money to lose. So we are just as concerned about safety and soundness as you all are, but we still have to get these dollars into our communities. So, let's work together to define the issue. There's just too much... The banks say it's you, you all say the banks and the CDFIs are sitting around going, "Oh my God, help us." So can we just get in a room and start to work on this? Thanks.

Chris Bosland: Well, I've got a quarter, you've got a quarter. Let's follow that a little bit. I mean, I think there's a lot of sense in that. What are some of the ways we could address... I mean I don't want to belittle the challenges because I do think there are some. I mean yes, it's great there's been no bankruptcies, doesn't mean there will never be a bankruptcy, right? So there are some legitimate issues there, but what are your thoughts on ways that we might solve the quote, unquote problem? I mean, just spit balling. It doesn't have to be fully thought out.

Joe Neri: Well, I think that we could programmatically... So there's a number of ways that we could work on liquidity risk. We could have some kind of secondary purchaser in the background. CDT, which is a member of the New York Bank, they've had all kinds of issues getting advances out of the New York Bank, they buy LiTech. We have an extra 5% haircut on our LiTech pledges because there seems to be a challenge with liquidity for LiTech deals. This gets back to what Audra's saying is, why is not more money flowing into the multi-family? Gee, I wonder why. Because the haircuts on multi-family are significant and again, it's about members... The traditional bank members of the banks are doing less and less rental multi-family loans. So the banks themselves are delving less and less into understanding how to create a product for them. Because this is very bank member, member driven. So how do we then together think about, okay, CBT can purchase those LiTech loans if IFF fails. So is it really an extra 5% haircut on a multi-family deal? There's just one way of getting that. The banks themselves are not going to think those things through because the rest of their traditional members are not demanding it and they will frequently say, "We have the products that our members demand." Now Chicago's been very great and has actually created products just for IFF, but we know the other banks are not thinking about their CDFI members in that way. So that's one example of, let's take a specific problem, have transparency about how we get to that challenge and then work to solve it. If we did it on a systems level, y'all said CDFIs are important to this goal of what we should be doing in our communities. Then the system leans in to help banks with less staff et cetera, solves system-wide challenges with information and data, which the regulator can do, and you don't need Congress to help you with that, then we can really begin to reduce haircuts. We're not going to get them down to zero, we're not asking them for zero, but we're certainly working on 30, 40%.

Chris Bosland: Did [inaudible 00:52:08]?

Tunua Thrash-Ntuk: Yeah, I was trying to stay calm in my seat while Joe went through that because first of all, when it was my turn, the first thing I was going to do was applaud him for the 10 years of service and bringing the CDFIs together to have conversations.

Chris Bosland: But he hasn't fixed it in 10 years.

Tunua Thrash-Ntuk: But it's not Joe's issue. It's not just Joe's issue.

Chris Bosland: As Joshua said, "We're from D.C. we're here to make problems and y'all can solve them."

Tunua Thrash-Ntuk: The issue is directed today at Chris and Joshua to help us to solve. So part of what I wanted to do, Joe, was clap and just say hang in there, calm down. I think this might be our moment.

Joe Neri: I won't be calm, but I am hanging in there.

Tunua Thrash-Ntuk: Okay. Okay, fine. You're right. You're right. You're right. And you know what, I'm the first to say that. You don't have to be calm. But I will say that I think what underscores what you are saying and the passion that comes out in what you're describing, is that CDFIs have been told and have been led to believe that we are partners with the Federal Home Loan Bank. And if we are partners, then. You asked Joe to rattle off one idea. The committee has many. If we are partners, now is the moment and the time to actually dig a little bit deeper into this particular issue and see how we can solve that. If we walk away with anything today, what I would ask, is that this session in particular underscored the need for a specific response to what the CDFIs are asking for in partnership with the Federal Home Loan Bank. So, when it comes to everything that Joe said and also my other colleagues here, for us, not all of us do mortgages so it's really difficult to have those to pledge. So, because we are not considered a community financial institution, we aren't able then to originate those small business loans and be able to pledge small business loans as part of that collateral. We've already talked about the, you called it the haircut, but for me, the fact that we as the CDFI field, the risk is not better understood and yet as a field we've shown how strong we are, how few losses we have, how well we've done as an industry, how much we've grown over the last few years. That has been done because we too, as was said, believe in safety and soundness. We do believe that there's a way to come together to figure out what that looks like so that we don't have to experience those lower advance rates. We've talked about equity investment. So that is absolutely a possibility. There are lots of organizations that need that. I've mentioned, but I'll mention again, building loan loss reserves is also important for some of our work as well. When it comes to, for us as a small business lender, we utilize SBA guarantees and we've been able to work with the Federal Reserve Bank in order to create a relationship and a way to be able to have those guarantees pledged over to the Federal Reserve Bank. That hasn't been the case when it comes to the

Federal Home Loan Bank. So there may be opportunities for us to look inner agency to figure out where we might be able to collaborate together. So those are just some examples of things. But yes, I applaud you. Let's do this.

Chris Bosland: Great. Rodrigo, you want to get in?

Rodrigo Vela: Thank you. I was missing, I think, a very concrete point in which we as CDFIs could have a better advanced rate. Part of our portfolio for CDFIs like us and all the big ones like Joe was mentioning earlier, is we are recipients, most of us, of guarantee money from the Department of Education. That money is sitting in our balance sheets to credit enhance charter school loans that we originate. We could certainly receive a much higher advance on loans that are currently enhanced by the DOE. That's one possibility. You could move that from 70 to 95, 99 if possible, because we have those current enhancements sitting in the balance sheet. Granted, that guarantee will not follow the loan in an event of bankruptcy, but that's where the bank needs to take a holistic approach to really understand the CDFIs. That is an enhancement that has not been able to use at the Federal Home Loan Bank system. Then the other point that I'll make is, we were making very good progress on the duration of our capital with the Home Loan Bank. When we began in 2013, we borrowed up to, I believe five years, then we moved the window to seven years and then we were able to get tenure capital from the bank. I was rooting for the 15 so that we could then make those loans into this longer transaction deals on housing but then a call came from upstairs in the Federal Home Loan Bank and then that duration was reduced to seven years. So that was also a piece in which. That is just limiting us the ability to deploy that capital. I don't know what the solution would be to then sell that loan that we originated with 15 year money because we as CDFIs, what we want to do is originate as much papers or more transaction as possible so that we can bring that capital for the community. But then having that 15 year money in our balance sheet is like, "Okay, we need to go in and lend to another developer." So I know what be the mechanics of selling that paper, but just some comments.

Chris Bosland: Well, I'm going to get you in in a second, but I just want to follow up to Joe's point. Were you given transparency as to why the duration was brought down?

Rodrigo Vela: Yes. The transparency was you are a CDFI and our risk here is [inaudible 00:58:48], although the losses do not reflect that obviously.

Joe Neri: So that's not transparency.

Rodrigo Vela: I was.

Joe Neri: At least it's a reason.

Rodrigo Vela: Thank you Joe.

Chris Bosland: Well yeah, I guess you probably have an interesting perspective.

Wally Murray: Look like Andrew wanted to respond to that, so...

Chris Bosland: Sure.

Wally Murray: Is that okay?

Andrew Gordon: Yeah. Thanks Wally. So, the CDFI fund recognized the need for long-term fixed rate product for housing deals that have... You're not going to see any liquidity for probably 15, 18 years, so you need a fixed rate product. So 10 years wasn't enough, that's for sure, so they did create the CDFI bond guarantee program. We've been luckily enough during the four rounds that they had to have access to over $450 million through that, but that's fixed rate, borrow for up to 30 years, 28 to 30 years. It's a fixed rate product. It was response to a need that CDFIs were asking about is, "Can we get a fixed rate long term?" They did have to evaluate an organization is, can we do that? What I think part of the reason, and we can thank the Federal Home Loan Bank for this, they have a collateral pledge program also in order to get the advances. So knowing how the system worked with the Federal Home Loan Bank, I think it prepped us to work for the bond guarantee program. So, Joe, you.

Joe Neri: That's not how it happened, but it's fine.

Andrew Gordon: Well, it's not how it happens, but.

Joe Neri: It's because it has a hundred percent federal guarantee on it, which then drove it into the Federal Finance Administration, which is separate from them.

Andrew Gordon: No, no, I understand, but what I'm saying is the pledging of collateral mechanics. We have to have a mechanic, who.

Joe Neri: Which was O&B wanting to have a zero-risk feature so that then it had to have pledge. So, the pledging system was similar but it wasn't because of them.

Andrew Gordon: No, it wasn't because of you, I'm saying because we were familiar with that.

Joe Neri: Oh, got it. Got it. Yeah, sorry. I misheard you.

Andrew Gordon: [inaudible 01:00:55] I think that's partly why we got the award. Thank you for clarifying that, Joe. I think we knew the mechanics of it and weren't afraid of the mechanics of it in order to apply for the first round of the CDFI bond guarantee program and the three subsequent rounds. So it's kind of a weird thing, but we appreciated that practice. We don't agree with the advanced rate or the haircut. We have a lesser haircut with the bond guarantee program and that's why often we opt to that for some of our projects. Thank you, Joe.

Chris Bosland: All right, Wally, since you've been on both sides as a non-CDFI previously and now as a CDFI, I'd be interested in your perspective.

Wally Murray: And that's exactly the perspective I wanted to share a bit because while we've not been had the CDFI challenges, just as a credit union with respect to the Home Loan Bank system, there are some structural things that I pointed out in my comments that are just, Congress has to solve in terms of specific language about FDIC, insured institutions having access. Language about FDIC insured institutions having access. We're not FDIC insured. We're insured by the National Credit Union Administration, which is also an agency of the federal government and NCUA. And so, that excludes us as credit unions from some of those exceptions. And listening to this dialogue, I've been in the credit union space for almost 35 years now. I know that sense of being "included" in organizations with banks, but that feeling that you're basically tugging at the hem of your parents' pants trying to get their attention. And that's what this sounds like to me. Very, very similar. So, when the CDFIs were given access to the home loan bank system, it's a system that was envisioned 90 years ago, and built and structured in a very specific way. Over time, that's evolved for banks and banks that hold mortgage portfolios, et cetera, et cetera. It doesn't sound to me, and I may have this a hundred percent wrong, like any re-envisioning of what it was going to take for CDFIs to successfully be able to engage in the home loan bank system truly went on. And I understand that's probably what we're doing here today, in large part. And the other thing I wanted to mention, too, was what Tunua was talking and speaking of, and others have mentioned, too, was guarantees. Guarantees are a very, very powerful tool. We find that not only with SBA, within our interactions, but also with the USDA in some of their lending programs. We do a lot of commercial lending across rural America through the USDA. And not just agricultural lending, lending to rural communities, businesses and small businesses in rural communities. Those guarantees are very, very powerful. And if there is something that the home loan bank system can do on that front, I think that's a very, like I said, very, very powerful tool. So, just wanted to second what you were saying there, Tunua.

Chris Bosland: Good.

Tunua Thrash-Ntuk: What you reminded me of, Wally, as you were talking about the 90 years ago, we put the federal home loan bank system in place. And 90 years ago, we were in a different world, right? So, there are two questions that come to mind for me in thinking about how we imagine it for the next 100 years. And the first question is, who makes mortgage loans today? And that question has to be considered in light of the Federal Home Loan Bank and who the members are and what the members have available in order to pledge and what the appetite is and what the banking industry appetite is. So, who makes mortgages right now? I don't want to answer that question right here, right now, but it's one that you imagine that I'm bringing up because it's no longer just traditional financial institutions, as we know them, who are member banks. The second question, and this gets to closing the racial wealth gap, and that is, who can afford a mortgage today? And so, those two questions for me really get at the basis for how I would want to, then, begin thinking about how do we utilize the system going forward so that it responds to new market conditions, both on who makes the mortgages and who can afford them, and how we can solve other community development issues with that.

Chris Bosland: Thank you. Joe.

Tunua Thrash-Ntuk: And Tunua.

Joe Neri: Yeah, Tunua, I think that's exactly right. And this is one of the questions for the working group that we've grappled with because we have a system versus a single bank. And the idea was that they would reflect the regionality of a very diverse country. Now, 90 years ago, that was probably more. Many of those banks were completely rural, and now, of course, we know that we have big cities surrounded by a lot of rural. And I think, sometimes, climate things for San Francisco are going to be fundamentally different than climate things for Los Angeles, which is affecting AHP programs. So, we're going to have even those challenges within banks. But I think this gets to who makes mortgages. Well, one of the things that we see in the CDFI space is, more and more, we are the folks on the front lines in the communities that we're talking about. So, the system is working well for many communities. They're not working for, when I say our communities, we're talking about low income, under resourced communities. Who's doing mortgages there? CDFIs. Who's doing them in Appalachia? Fahe is. And the system was built to do that locally and to solve that challenge. So, in many ways, we're still talking about the main reason that we have the Federal home loan bank system, which was to get liquidity into rural and smaller communities. And yet Fahe has a 50% haircut. So, how can they do that with the federal home loan bank? They're using Fannie and Freddy, which is fascinating, right? The two systems that weren't really built for rural mortgages in Appalachia. So, that is already telling you that CDFIs are facing a challenge in terms of the heart and soul of why the system came into be. Now I'm totally down for what you say, the re-envisioning of the system. But I'm going to keep taking this conversation back to why was it developed, what does it do well, and there's just some challenges in this space. So, we don't have to change radical things about what's available. We can do LOCs. We can do guarantees. We've done them. What we have to do is get to a place where CDFIs have a seat at the table, as Tunua was saying, because we're trying to work together to solve these challenges.

Chris Bosland: Rodrigo.

Rodrigo Vela: I don't know if this is how the bank could help on the housing piece. But obviously, an holistic approach. One of the reasons not many people can afford mortgages these days is, obviously, the cost of labor and the cost of materials and so forth. We talk to home builders and there's no labor, no shortage of labor, not qualified electricians, not qualified plumbers, not qualified carpenters. I would just encourage the bank, in those community programs that they do, to foster some vocational training facilities or some vocational training for the labor that goes into housing. We cannot just solve the problems by lowering rates and lowering liquidities. This is a holistic approach that has to be addressed in multiple fronts. And obviously, the labor piece is key, as far as qualified labor. And then, we'll let Congress solve the quantity of those laborers and where those people come from.

Chris Bosland: Yeah, that's something we've heard in a number of, particularly in, rural areas, the lack of skilled tradesmen. Audra, you wanted to get in.

Audra Hamernik: So, a couple of things. I want to give you a little bit of scale of our participation in the AHP program, and then talk a little bit about what we really need long term. So, we've been around for 30 years, and we have had 15 properties be built with AHP awards. And it ends up being about $5,000 a unit, $5,500 a unit, over all that period of time. So, we're thankful for that. I can tell you that there's 12 on the senior side and three on the family side. So, it's clear that the scoring is skewing towards senior, and I'm sure it's because of special needs populations. I want to say something very unpopular.

Chris Bosland: Join the club.

Audra Hamernik: Yeah. But in Clark County, our last year's point in time survey was 5,600 homeless folks, and that's 5,600 too many homeless people. Clearly. On the other hand, I have 84,000 units of affordable housing that needs to be built right now. So, I really think we've got to look at the AHP competitive application scoring to really think about what's most important. And I realize that one of those is housing for homelessness, and that is something that is regulated. So, if we are doing a big look, this is the time. I think that that's got to be reviewed. Again, long-term fixed rate, low interest loans, that is what we need. The Federal Home Loan Bank has an unprecedented time right now to be stretching your capital and the affordable, pardon me, the American Rescue Plan funds. The state of Nevada and many, many, many other states have dedicated money for affordable housing. Our state has dedicated 500 million. Imagine what we could do if member banks were dedicated with the Federal Home Loan Banks throwing money that way. It's dedicated money that way with the same way that ARPA dollars are. Imagine what we could do and change the face of affordable housing in this country. I mean, we just can. But not if we're not using the products. So, we've got to figure out why are your member banks aren't using the products to get them into multifamily affordable housing? I don't know why. But there's an opportunity right now that we, hopefully, we'll never see again, as far as the pandemic. I also can't stress enough how land is such an issue for many, many cities in Nevada. It's particularly interesting because over 85% of Nevada is owned by the federal government. So, land shortages is an issue. It's not going to get any better. So, what I would love to have is a pipeline of land banked. There's lots of strategies around this, but the folks that are lending to us right now that will allow us to buy land in between the bridge, between the time it's purchased and the time we have tax credits awarded, they're CDFIs. I mean, that those are the only people that are lending to us, and they're patient with their money. So, without that, I don't know how we will move forward in multifamily production in the United States if you don't have people that are doing those short-term bridges for land specific. Because trust me, a lot of member banks aren't the least but interested in that. I guess the only other thing I do want to mention is that I'm pretty thankful that I'm developing in an urban area that has all the infrastructure available. I think a lot about our friends that are trying to develop in tribal communities. And Andy, I'm glad to hear that you are developing there. That's cool. In our rural communities, I had the opportunity recently to hear from a tribal representative that had a completely different product in mind for her constituents in tribal communities that I don't think Litech would fund, I don't think Home would fund, I don't know if the Federal Home Loan Bank would fund. So, we've got to be just very thoughtful and respectful of just cultural differences. And right now, we just aren't just the way we're set up. So, those are some of the big needs that we've just got to tackle.

Chris Bosland: All right, one more. Tunua.

Tunua Thrash-Ntuk: Yeah, I just had a quick statement. I wanted to underscore why the Federal Home Loan Bank should care about economic development. So, I wanted to follow through and thank you for your prompt, Rodrigo. That helped. That reminded me. So, in answering the question, who can afford mortgages today, Rodrigo really hit on what I consider to be the production side. How do we get it produced? The other element, that's the economic development side and that's the supply side. How do we supply the individuals and the families who are economically able and ready to do that? And if I understand that the Federal Home loan Bank has that Big H. But in order to get there, we've got to make sure we're investing in economic development so that we have families who can actually afford mortgages.

Andrew Gordon: A lot of things are going through my head. It's interesting because we definitely need more units, and obviously, being in the southwest, water's an issue. So, we see permits going up for very large houses, and we see the cautionary building with the concern of you have a hundred-year plan for the Federal Home Loan Bank. I don't know if we have that type of water in Arizona, tell you the truth. We're trying to figure that out. So, there may be a new way of looking at building, how people live, density of housing. There's so many things going on. And sometimes, projects are driven and shaped based on, like I said, the DNA of the capital. So, you try to match how you get your money, not the money saying where's the need and being a leader in that. I mean, you responded to the Great Depression, responded to the recession, responded to COVID. You're responsive, but you're not proactive. So, how do you do that? That's my question. If housing is part of your name, and we're in the Southwest, how are you a leader in that conversation? Rather than saying, "Well, come on guys. Let's just be the same way and access our funds." That's a big question. So, I wanted to add that your first question was need. And you asked me that question, what is the need? See, I don't think we have a handle, if we're addressing the need, on the impact we have longitudinally. I mean, you get kids in seats of schools, but what are those kids, now you've been doing this for decades. What about those kids who are now parents and their kids? We don't have a clue. We don't have a clue. We talk about affordable housing units. Same thing. We have people in those housing units who've been in there, who've moved out of it. We think it does a lot of good. But do we really know it does a lot of good? So I was listening the other day to, is it, Cameron who did Avatar, Titanic, Terminator. But he did drawings about Avatar in college, but he said he wasn't able to do it until the technology caught up with it. And I think we have technology now to get information on our beneficiaries and clients that can gather information on a longitudinal basis. And I think there's worth a division or resources from the Federal Home Loan Bank and others, Federal Home Loan Bank and banks, because we need to know. We can always identify need, but we want to make sure the money is being used productively. And then, I think what that does, it attracts the money with, for lack of a better word, from the 1%. I mean, through all these cycles, the wealthy keep getting wealthier, and that money does look for a place to go and they need information to have that money go there. But given the Federal Home Loan Bank risk aversion, banks risk aversion, government money risk aversion, I feel we, this is probably a personal observation, have just spent the lifetime keeping the needle from moving backwards. But like Cameron, now is the time to make the needle move forward. We have technology now to have information about impact. So, we, in fact, can use information that'll attract resources of money that can take that necessary risk. I'm going to over one more side step. So, we know venture capital, maybe, gets maybe 20% home runs. 80%, maybe they get their money back. Maybe none of it. We don't have any money that can hit home runs. There's no source of money for us to hit home runs. I mean, the point is we get a grant, we get some type of a grant for that, but if you get a grant, and you don't do well with it, do you get another grant? No, not necessarily. So, the question is how do we get money that's prepared to support home runs? And I'm not saying that the Federal Home Loan Bank is that money, but the Federal Home Loan Bank is to know what the impact is of that money. And we have some ideas about that. We've been in development for about over seven years, but the technology just caught up with us where beneficiaries, I'll take one more moment, where beneficiaries can share information with us that we want. All of our information is being shared right now, anyway, isn't it, in that they can get rewards just like on your credit cards. You curate the reward you want. Well, if you share information, why couldn't you get a reward that affects your financial health, educational, cultural future. It could be just support on the internet. It could be getting tutorial for SAT scores for my kid. Whatever those resources that are needed, you could earn that by sharing information, information that we need that then can be provided to sources of funds that can match certain risk, and then sources of funds that have not been available. There's a lot of philanthropic fatigue out there, of giving, giving, and giving, but not knowing. It's like the Boys and Girls Club, Denzel Washington is the example. But now, there are grandchildren, great-grandchildren, that are in the Boys and Girls Club, but we don't know how those generationally have been affected in the schools that you've supported, at the charter schools, in our low-income housing tax credit projects, and so forth. So, I'm saying, at least where I'm at, I'm at, our corporation is also, is that we need to know our impact in order to attract the dollars to move the needle forward, accelerate it, and grow it. That was much more than I thought I was going to say.

Chris Bosland: No problem. We appreciate it. Audra, go ahead.

Audra Hamernik: Just one fast comment. I couldn't agree more with telling our stories, but that means we have to understand our residents and who's benefiting from these different programs. We were able to do a study, and on our family sites we looked at why people were exiting. And there is some very prominent software systems that most affordable housing and, actually, most multifamily housing folks use. And it asks the question, and we were able to find out that our families leaving, 10% of those were leaving for homeownership. So, it tells us that they are getting that generational wealth. They are moving on to that next step. But if we didn't answer the question, we wouldn't have known that information, right? So, we've got to do better and better and better at being able to tell these stories.

Chris Bosland: Just two questions before we get to, we'll probably take a break somewhere around 11. We talked, it came up earlier, the statutory CIP Program, and then the Companion Regulatory SECA program. I'm always forgetting what the acronyms stand for. Community Investment Program and Community Investment Cash Advances, I think is what it is. But it's in there somewhere. And we talked about it was mentioned how it doesn't appear to be used a lot. And I just wanted to get some sense of what you're thinking is as to why. What are the challenges there to getting that to be more used so that the home loan banks community support is actually more on lending side as opposed to uniquely on the grant side. So, let's see. Joe, I'm staring at you. You look like you didn't want to say anything, but I'll wind you up a little bit.

Joe Neri: I think that this is, actually, a complicated equation of some of the challenges we have systemically to begin with. So, there's the CDFI use of that. So, every single advance IFF has taken is at that pricing because all of what we do is about this work. The Federal Home Loan Banks are made up of hundreds of traditional bank members, and many of them don't care about this work, in addition to the fact that they're much smaller banks. And so, their CRA regulation regime is just much less arduous. So, many of them are not really, let's just say, stressed about their CRA exams, particularly in small communities. So, they're not working on this challenge in the way that we are working on this challenge. And so, that's just fundamentally part of the reason that you're not seeing that kind of usage in those numbers because you were reading them correctly. There's just no demand for it because they're not feeling the stress. The second part of this is that this system doesn't have any goals for this work. So, if there's no goals for this work, there's no incentive to work on a program that makes the bank no money. They don't take the extra fee on this, so they don't make money out of doing those programs. So, they're not pushing them, they're not educating, and there isn't a lot of demand. Enter the CDFIs. So, we are demanding it on every single thing we do. That's why we circle back to the haircut challenge. We would be doing a lot more if we didn't have such a big haircut, we would be tapping all of those dollars. So again, who in this bigger system is working on in these communities on the challenges and the needs that people at this table are saying? It is the CDFI space, which is why I get so passionate about us entering into a conversation about working on this together because we care desperately. We have 50 different bank investors in IFF, and I sit with a lot of these smaller investors. And I can tell you they don't spend five minutes of stress on CRA, et cetera. So, when we have those wonderful models that we developed as part of the forum, which we definitely need to work on. COVID put a little bit of a challenge into that. But many of those models are absolutely built on traditional bank members needing or wanting

CRA credit to make them work. And they don't. And some of our early tests with some of the banks on some of those models is that not enough traditional banks are that interested because they're not feeling the pressure, and you all don't have goals on this, as well. So, this is why I'm going to keep coming back to how can we work out the haircuts. I want to work on those models. Many of our working group members are working on those now that COVID has finally left us and balances are coming back into play. But we just need to remember, that's why those programs are not. It's not the CDFI world. We're all taking that pricing. It's the traditional members that are the vast majority of the space.

Chris Bosland: Tunua.

Tunua Thrash-Ntuk: So, I want to snap on that explanation, and I just want to underscore a couple of things I said before we got in here so that they're on the record. I absolutely agree. So, two things. One, I absolutely agree that I think the Federal Home Loan Bank system should have some set of goals. We could go even so far as to create a rating system for the Federal Home Loan Bank, similar to what we do with financial institutions. Something to consider. We'll see where we go with that. And then, the second is there is a modernization now happening with CRA. I agree there's very little incentive to innovate. And so, if there is a way as the bank is looking at its rulemaking and considering where it goes, how can it align with some of the motivation that the financial institutions may have as CRA is modernized? So, those are the two areas.

Chris Bosland: Thanks. Andy?

Andrew Gordon: Yeah, I was just going to comment on, there's a guiding principle. We have a clearinghouse. Higher margin business supports low, no, and negative margin business. So, in fact, you have to make money to give money away. Or put yourself on some type of a continuum there, if you will. And I think the Federal Home Loan Bank is the position to do that. I mean, obviously, the profitability is a lot, and you've attempted to, in a good way, provide grants in certain areas that further the mission. So, just embracing that, I think, says then, "Well, maybe some of the wealth that we have could use as an enhanced risk reserve for CDFIs for your perceived risk in order to make advances and reduce the haircuts," for example. Some of that excess revenue and excess profitability, if you will, could be used to write down interest rates for CDFIs who reach into that world who could put a lower rate product out there and leverage those dollars even further. So, the idea is there is the wealth there to do it. It's how do you do it within your acceptable accounting principles. And I think if it's already shifted from profitability to grants, I forgot what it was, 10% of it is used for that. Does it have to be grants? Can it be used for the other ways, but to achieve the same purposes but enhance your own products and increase utilization of what you borrow.

Joe Neri: Virtuous circle.

Andrew Gordon: Of your members?

Joe Neri: Virtuous circle.

Chris Bosland: Just to be clear, it is a minimum of 10%.

Andrew Gordon: Thank you.

Chris Bosland: Okay, everybody. Well, you triggered-

Joe Neri: It needs to be immediately a minimum.

Chris Bosland: Audra was first, and then we'll go to Wally, and then Rodrigo.

Audra Hamernik: I'm looking at the 2020 low-income housing and community development activities report. And there are housing goals for banks that have exceeded a certain annual volume, but they're all single family goals. So, there's some goals in here. It just may not be what we're all thinking about.

Chris Bosland: Wally.

Wally Murray: I wanted to just up the ante on an idea that Joe had shared in his written comments about choosing one or two banks for all CDFIs to be a member of. I think that would be a huge step forward. I really do, and I applaud you for that. But as I was looking at that and thinking about that further, I thought what might get the structure built better? And again, this would require, certainly, acts of Congress, but would be to require the existing home loan banks to take a portion of their capital and to capitalize a new CDFI only home loan bank where that group is very much in touch. I mean, it bypasses all the things, I think, that you're struggling with a little bit and gets directly to the nuts and bolts of the challenges CDFIs face, the programs that are needed. And so, I'm not sure if this is supposed to be a spit balling session or not, but that was that came to me.

Chris Bosland: Yeah. Yeah. I was just going to say, that's something that we definitely want to come back to after the break. The statute being what it is from 1932 is pretty heavily geographically based. Some of us have a way with words. Geographically based, I'm sorry. So, there are some practical limitations on the current statute, as you say. But there's a whole host of interesting things that could flow out of specialty thinking through special feedback.

Wally Murray: We have 10 years till the system turns a hundred.

Chris Bosland: That's right. We've got 10 years. Well, in government speak, that's just tomorrow. Rodrigo, I said you're next. Go ahead.

Rodrigo Vela: Thank you. And just a comment here on the realities of where the CDFIs have in the marketplace within the Home Loan Bank system. You mentioned earlier that there were 80 CDFIs that were members of the Home Loan Bank system. And the reality is that this CDFIs are the entities that are way closer to the community than the traditional banks. So, I believe that the Home Loan Bank system has an opportunity to take advantage of entities, like the ones in which we serve, to deploy that capital into those communities. One avenue is, obviously, the program, the AHP subsidies and the grant program. Think what a billion dollars annually on grants would do. You were mentioning $5,000 per unit of housing that is subsidized, and that is the most. The housing that is the subsidized and that is the most difficult type of capital to get, that equity capital that makes these programs or these housing units feasible. I believe that by increasing that amount of grant capital, you bring this into the communities and then you make it obviously a competitive process on who is going to serve those communities. These are not handouts, these are just subsidies or good use of the proceeds of the profits of the system to get back into the community. There's going to be more home ownership or home rental and a roof on the head for the communities that we serve. It really could be substantial. And the only point that I'll make is, as I was thinking about this, I thought it really made sense. I'm typically not the individual who says, let's just give grants and that will solve the problem. Believe me, that's not the way that I approach the financing and the capital, but giving just the reality of the limited marketplace that the CDFIs have on the home mark system, it's just eerie and the amount of capital that can be distributed in those communities. I surely believe this could be explored by the bank further.

Chris Bosland: And it certainly doesn't undercut your point, but we don't want to forget the 280 depository CDFIs, but your point is well taken. I think we're about up on the break. I do want to come back to a number of these issues. This will be the exciting part about all the brilliant ideas we've had. We've heard a little bit about some sort of fund, if you will, to support reduced haircuts or lower rates. I think that's an exciting idea. Perhaps we could talk more about Joe's specialty bank concept, so a number of things. I think there'll be a lot of good stuff after the break. I'm struck by Audra's comment about saying something unpopular, but I do want to ask what would probably be an unpopular question. A number of us who've been around long enough, remember and have the scars to show from a debate about captive insurer members and the entities that we're perhaps buying or starting that would otherwise be ineligible members to an insurance company to get access to the home loan bank financing. And as we discuss a lot of these things, and I will freely stipulate that everyone here at the table is doing, insert the deity or non-deity of your choice, work in what you all do for your communities. It's not inconceivable that if we reduce a lot of barriers to borrowing by CDFIs and work by CDFIs through the home loan banks, that's other entities, hedge funds, not to put horns on their heads, but people that we don't think necessarily as being the people we want to be helping necessarily or who needing to help. How do we prevent a recurrence of what happened with the captive insurer issue? And so we then have to play whack-a-mole and try to stop people from accessing the system and maybe exploiting the system in ways that we don't want. Or maybe that's not a problem. Maybe I'm just Cassandra warning about something that may never happen. That's something I would like to explore after the break, Andy. We'll come back about 11:25 ish, so thank you.

Rodrigo Vela: Thank you.

Joshua Stallings: All right. And welcome back. It's time for part two of this round table, so let me just go ahead and thank everyone again for everything, the discussion we've already been having and for your candor and your thoughts. I think we've already pulled in a few really good ideas that we want to dissect a little bit closer as Chris was already talking about before, so thank you for that. And I think let's just jump right back into that conversation actually with going back to what Wally had been discussing before about an idea that Joe had and in his written feedback on having maybe one or two of the banks focus on CDFI activity and the rationale behind that. Joe, you want to go into that?

Joe Neri: Sure. I put three ideas there. One would be that CDFIs could join anywhere, and I know that that creates all kinds of challenges. And you've talked about this. Historically, some banks have spent a lot of time trying to shop where they're going to be a member. But I think that... And certainly the membership of the working group has heard this multiple times, which is, "You just don't understand. We don't have the staff to understand you." And so I think this is a real thing versus some of the unreal stuff that's often said, and I want to make sure that we're being cognizant of that. But I think that there could be two ways around that. The first would be that we would have one or two, I like two because I don't monopolies generally, which is kind of what we have on customer service right now with the banks, frankly. But one or two of the banks would specialize in CDFIs and the CDFIs would be members of those that one or two banks. And the idea would be then we have more CDFIs, which means then when we start talking about products that benefit the types of things that CDFIs are trying to do, which is serve our communities with that mission that they are thinking about developing a product that's going to be used by more than one member, which I think is a real challenge for the banks to, that the CDFIs want X and none of the other members want that as well. Chicago, I will say Chicago's been very good on this. They have done things to specifically created products for I5, 17 year, two year forward pricing on a LIHTC loan. You got booed for 10, but this is 17 years, which matches LIHTC lending very specifically. That is the kind of partnerships that we should be having with federal home and banks because we're trying to solve a multi-family LIHTC world where we have a lack of that capital. And so that is a bank leaning in, that's what we want, so very happy member of Chicago Bank. But if we had banks that focused on CDFIs and focused on all of the haircut issues that we've already discussed that really do need focus, but then we're also thinking about products that was getting to our communities. This really advances this conversation. One way would be the CDFIs are in that. That would probably take statutory change to the rules about where you could join. The other option would be that one or two banks would create products and work in that same way and that CDFIs in other banks could access those products through a reciprocal agreement. And I don't think that that would actually need statutory change because I know that with some down payment assistance products or mortgage products over time, particular banks have had that specialty product and members in other banks could access. That wouldn't take statutory change. And it still meets all of the same things. We have staff focus. I don't want to underestimate staff, attitudinal customer service because theoretically that bank would want to do this because it's a big deal. And in that way we can begin to create this partnership that Tunua and I and others have been talking about. So that was my idea.

Joshua Stallings: Joe, you just spoke a little bit about hearing from the banks that they don't have the staff to understand. Can you help me pull that back a little bit? Is it that they don't understand the business model of a CDFI or is they don't understand the kind of lending that CDFIs do?

Joe Neri: Keep going, keep you got it. It's all of the above. We start with, we don't really understand you. You're not regulated. I'm not talking about the regulated CDFIs or credit unions. We don't understand you and then we don't really understand the product. We don't understand what this collateral is. IFF does 95% loan to cost loans, to childcare centers and human service agencies. Why? Because they're not sitting around on a lot of cash, put 20% down. Our way of working on the systemic racism built into appraisals is we don't get appraisals because you're not going to do a childcare center. And in many of our communities at appraised value, we'd never make loans. That's an example of a product that some of the banks would say, "We just don't understand that." Haircut, haircut. And then, "We don't understand you CDFI, we don't understand your capitalization, we don't understand the waterfall on your primary debt. We do understand deposits, which is not even real equity." We have to have 20% real equity, so it's all of the above. And then when we get to that collateral side, that lack of understanding is haircut, haircut, haircut to the place where we can't then use the advances to do the things that we've talked about.

Joshua Stallings: Tunua, I'm coming to you on this. Can you elaborate a little bit more on your thinking on what could it take for the Federal Home Loan Banks to maybe have the understanding in this realm that they would need to have to be effectual?

Tunua Thrash-Ntuk: I'm going to pick up on not just attitude, but just expertise inside the Federal Home Loan bank. Keep in mind that the CDFI industry itself, I say, suffers from this. And that is we hire bankers and because as a CDFI, we hire bankers, we tend to then-

Joe Neri: Then slap it out of it.

Tunua Thrash-Ntuk: What my colleague here is saying is that they've got to relearn the business model of what it means to be a CDFI and bringing in other factors that typically are not brought in a more traditional setting. And so when it comes to the Federal Home Loan Bank, I do think that there could be some... Definitely if there's an incentive, and we talked about it from goals and other areas for the Federal Home Loan Bank to then hire staff to hire the expertise, whether it's in other ways besides the staffing, to be able to really know and understand the CDFI model. I think that the field has come quite a ways and this work is not done in a haphazard way, so that needs to be understood. There are practices that we have as an industry, we've collected a lot of data. Some of that data has to do with years of experience, types of products, location, the conditions within the market, not just from the standpoint of who's going to purchase or be part of a development, but even what the governmental infrastructure is, what other resources are there. These are things that we think about when we are conducting our underwriting in a way that you typically don't have to do. I would say from a staffing standpoint, I want to see more staff that have background and experience in direct either community development, economic development, community leadership, CDFI, having folks who come from that arena, be part of the staffing and be able to support moving forward with how do we evaluate CDFIs.

Andrew Gordon: Love the idea. Every CDFI is different. It's not like your staff can't say, "Well, we all look alike." We don't. But we do share our drive and goals on mission. And that was the beginning of this conversation. Community and economic development housing, you can count on us for that. Then the question is, do we have an audience? Do we have people, do we have staff that can appreciate where we are at as well as being at the cutting edge in product development? You have 50 banks that invested in you, similarly in us and other people. It's the boldly go where no bank has gone before or go where they've been and they're hesitant in going again. We're a product development engine, that's really what we are. And so how do we use your resources to help us create product? And it does require not necessarily having expertise... I really like this idea, expertise at all the different home loan banks, but where they're shared product maybe or something like that. I like that idea a lot.

Tunua Thrash-Ntuk: One of the concepts that I had in my written notes was about research and picking up on a couple of things other colleagues have said. Research from the standpoint of, what has happened with products that have been directly related to CDFI needs? How have those products done? We'd like to probably boast as the field that the bank has done very well and we haven't had any losses on those. It's research not only on that, we want to understand what's happening so far. What kind of products have been proposed? What products are working well and what have been the outcomes of that? And then there's also strategies. When we think about the fact that many of us do different kinds of things and we're testing out different kinds of products, it would be great to be able to research what the impact of those products were from a longitudinal standpoint. That was another thing I'm like, "I'd love for the Federal Home Loan Bank to be part of that research and convening to be able to lift up these ideas so that we can continue to innovate."

Joshua Stallings: Wally, coming back around on another piece that we talked about earlier in terms of the use of CIP and SICA. As a member, can you talk about your experience and the accessibility of those products, like the understanding of those kind of products as just a member of the system?

Wally Murray: Well, I'll start with the awareness of those programs and it's very limited for us. Candidly, we've not accessed those programs. We've steered more towards some of the wish grants and things under AHP. And so in just doing the research... Again, I get it. There's no money to be made by the home loan banks on those products. They're not actively pushing them. I understand that line of thinking. Again, Josh, my knowledge there is very, very limited. But I was interested to see that the statistics are showing that those products are declining in their utilization and usage by the member banks and institutions. And I think Audra talked about it earlier, that's money that's just not being applied to the issue that the banks are supposed to help be part of the solution of. And it goes back to my earlier comment, about that engagement, about that. Again, just business development on the part of the banks to approach me as a member and say, "Listen, this is something available." Honestly, I'll tell you what, the reason we got more engaged with the Home Loan Bank of San Francisco's wish program was not because of anything that the bank did, but literally it was because of Senator Cortez Masto's office here in state of Nevada and their attention to the home loan bank system and their desire to get more of those dollars from the Home Loan Bank of San Francisco into Nevada. That's what drove our awareness and understanding of those.

Tunua Thrash-Ntuk: One of the other areas that I talked a little bit about, and Audra, you started speaking to this as well, and that is how can the bank encourage member organizations along with the private sector to participate in place-based strategies? If the Federal Home Loan Bank has a geographic focus, there are some key geographic areas within each of the bank's footprints that really if we could collectively drive resources and strategy could be part of making an impact in those specific places. This goes back to the concept of goals and thinking about what kind of reinvestment activities the bank is doing within its specific region. And then the other thing that occurred to me as you were talking, Wally, is I was like, there has been a move over the years, it's come and gone, but there are a number of local jurisdictions, states, counties, very large cities who've considered municipal banks. And I wonder, should there really even be a need for some of those, if there is a way to modify the Federal Home Loan Bank system in such a way to respond to some of the needs that are out there in community?

Joshua Stallings: Audra.

Audra Hamernik: I was thinking about that too, over break. I used to be on staff at the Illinois Housing Development Authority and we were housing associated with the Federal Home Loan Bank and we were able to push single family mortgages like crazy and it was a great partnership. I think there are some other opportunities for different types of lenders that we forget about that we shouldn't, housing finance authorities.

Joe Neri: As Tunua was talking, again think about the CIP program. Theoretically it is an incentive program to their bank members to do community development work. You're getting 200 less basis points. You should be going after this all day long, even if you don't pass it onto your borrowers it goes to your profitability. I'm just saying. But to the banks, I think we get back to, then there's the haircut side of this, which is, "I'll save money on this, I can make some more money, but I have a bigger haircut on those community development loans." This conversation is not just about CDFIs except for the fact that this is everything that we do. But now take the traditional bank members, especially smaller ones, they have the same staffing problems in terms of that community development stuff as the Federal Home Loan Bank banks do. And so, then we get into this, they get a much bigger haircut on that collateral. 200 basis points is worthless to them, so that's why you're seeing this go down because you all have got to lean in. And when I say y'all, the regulator needs to start to think about what you are going to do to help advance the idea that these loans, because we're going to have goals, are important to us as a nation. This is how CDFIs already start the game. But that's what we need you all to think about. The OCC recently as they started to do their CRA stuff, I've started to think about bringing back things that they used to do on CRA, which was to give banks a heads-up on whether something would qualify for CRA. That actually disappeared, and so you have banks guessing about it. Whenever they have to guess, they're like, "That's too much work and or it's risky." So they do less. They're actually bringing that back. Why can't the regulator also think about, and I know this would be easier if it was one or two banks, think about how do we give heads up on what haircuts might look like and how we would reduce those. Because if you're transparent with us and you're transparent with your bank members, so that they can be transparent with us, we can reduce the BS haircut, which is the unknowns that we are just exhausted from.

Chris Bosland: Just to maybe not use the word BS haircut. But I understand what you're just saying.

Joe Neri: Josh uses it all the time.

Chris Bosland: Well anyway, but I do want to, it's come up, Andy mentioned it, you added in your written things, it's let's say to credit enhance the assets. I really think there's something that we might be able to do there if we really put our heads together, so I'd like to hear a little bit more about it. And so Joe, I'll let you just keep going and then-

Joe Neri: Thank you. Because I am very passionate about this because I want to get back to what I said and Tunua said this as well, when the financial system fails because of safety and soundness, our community suffer the most. We suffer the most, so we actually are pretty conservative about this because we don't want to see things like that happen again because our people suffer the most. This idea that CDFIs, it's the wild west on credit is just not true. It is true that we are innovating into spaces where there's more unknowns because that was never done before. And Andy has said this a number of times, so how do we begin to close this gap? We care about safety and soundness, but if that's going to have a 10% extra haircut, because we just don't know, we're just not going to get there. I would like to see... Do not touch the AHP program. It's way too important to so many of our clients in actually getting affordable housing done, so I'm not talking about that. I want to be really clear because I don't need y'all coming after me. But I do think that we need to have a program where the banks with net profits put into a credit enhancement program. And this could be crafted in all kinds of ways. General outline, what we're trying to do is in some of these spaces we're actually... There's some unknowns. The safety and soundest people are losing their minds, but we credit enhance so that we can get more advances. I know that there's a lot of programs where we're discussing grants. I'm not going to say don't do those, but for us it is far more important to get to all of those products that are sitting there in the wholesale bank, which we can't get to because of this haircut stuff. And if we had a credit enhancement fund within each bank that we could use extra loan loss, extra first loss provisions and so forth on this collateral that you're discounting to get to things like the letter of credit guarantee so that Tunua could actually go and give that to developers of color. We are really going to begin to advance getting the capital into community development. And I think there are multiple ways that you could do that. It could be something like an HP program where you have to apply and it's a competition and the people that are solving the biggest challenges, housing for people making 30% less, versus making it a hundred percent, would get more or those that are leveraging the most. But when we do that, we're using advances and advances make money for the bank, which then make more net profit. Many of our conversations at the working group are less about grant programs, although I promise you there's lots of those too. But that are about how do we capture what the bank was supposed to be as a wholesale bank could access long-term capital at good pricing and ensure liquidity to small rural banks all over the country. That's why you were created. Now it's, how do we do that to ensure that credit isn't flowing to our communities?

Chris Bosland: I tuned out for a second and I just wrote, "Joe Neri says, kill AHP." Or did you? I'm sorry. Okay. I knew I missed something. I knew I missed something.

Joe Neri: You do not know the problems are going to cause for me.

Joshua Stallings: Andy, actually, did you want to talk a little bit more about this idea as well? Potentially credit enhancing.

Andrew Gordon: He told me to turn on my mic. Last time I didn't have it on. I wasn't being scolded, I don't think, when he came over. I suspect there are resources within the bank in order to provide these enhancements. That's all I'm saying. Identify them and put them out there. I don't think that's hard to do. And what it is it's saying though we need to push the envelope in these markets. We don't understand it fully. But not understanding something isn't a reason to give haircuts and have a higher rate. And we're saying put the money there and then I think you might be pleasantly surprised. That's all. And that's really for your accounting purposes, not ours, to have the enhancement on it. And I love the idea of using it also for letters of credit.

Tunua Thrash-Ntuk: I agree. I've said this before, so agreeing again. I do want to add to the grant programs. I too will leave AHP where it is. But my recommendation was that we add an economic development program grant as well with a similar kind of outcome. If the bank is truly moving in that direction, I'd be interested in seeing how we could have an economic development grant of that scale. There are very few economic development dollars out there to support strategies around the things that we described from the workforce to the small business, to the place base, to the real estate based economic development activities and strategies. And so I'd like to put that on the table as well.

Joshua Stallings: Consider it on the table. Rodrigo and the Andy.

Rodrigo Vela: And let's tell a little bit of ping pong because I want to make sure that I understood what your idea is. You are saying that this economic development program is different than... Or this economic development grant program is different than the IDEA program that is currently out there.

Tunua Thrash-Ntuk: Yes.

Rodrigo Vela: Or the waste, because one is housing and the other one is economic development, but for non-profits, this would be for for-profit entities, businesses that are to be created to create jobs. Or what do you have in mind on this economic development program?

Tunua Thrash-Ntuk: The Federal Home Loan Bank of San Francisco has an ahead program. It's a housing and economic development strategy program. It's a grant program. Most of the grants are capped under 50000, so the idea around a larger economic development program similar to AHP is that we'd be in the millions and hundreds of thousands at a time.

Rodrigo Vela: That's what I thought you were saying. Could you elaborate a little bit on who would get those dollars?

Tunua Thrash-Ntuk: For example, there-

Joshua Stallings: All right Rodrigo, I'm running this show.

Tunua Thrash-Ntuk: Oh, sorry.

Rodrigo Vela: I forgot.

Joshua Stallings: But I like it. Go ahead.

Tunua Thrash-Ntuk: Go ahead?

Joshua Stallings: Go ahead.

Tunua Thrash-Ntuk: We're friends. I forgot we had an audience as well. There are community organizations that are looking to create maker spaces, for example, a few economic development resources available for that. There's a need for spaces around, not just makers, but food, kitchens and things like that. You see you have a lot of micro-entrepreneurs that are looking for spaces like that. That is difficult to come by in terms of dollars and resources. There are cooperatives that like to start from a small business standpoint, so really educating a number of industries and specific businesses in order to maintain those jobs and continue longevity of those operations. There's a whole host of economic development strategies that could be pursued as well as around commercial real estate that could be pursued in neighborhoods for revitalization. Again, those projects have a really hard time finding economic development dollars.

Joshua Stallings: You satisfied?

Tunua Thrash-Ntuk: Right.

Rodrigo Vela: I would say I totally supported it.

Tunua Thrash-Ntuk: Yes.

Joshua Stallings: Okay.

Rodrigo Vela: Maybe she could head that advisory board.

Joshua Stallings: Andy.

Andrew Gordon: I was just going to add maybe it is very self-serving. I'm in favor of the grants. Like I said, we've applied for a number of the head ones and provided them in the Federal Loan Bank of San Francisco's area since 2012. But we're a unique bird. Is that all 12, but we're kind of a unique bird. Like I said, all the CDFIs are different, so we're a non-depository for-profit CDFI. There's only a handful of us nationally and so we're precluded to be ineligible for any type of grant type funding. All the grants that we do get, for example the CDFI fund, none of it is ever used for administration, it's only for to serve and so to further the mission, and so it's targeted for that, but somehow by walking in both of these worlds, it's a little difficult for us to be eligible. For example, like I mentioned the New World Foundation's job program, for example. That was one, so we were excluded from that. There may be just something else to consider when you look at CDFIs. They do come in different shapes and forms and legal structures, just as a thought, but I love the idea. We could certainly do more on the Ahead program. It's a fabulous program that has made a big difference in Indian country as well. I was going to mention though on haircuts is that I don't think we've been able to fully address trust land from the Indian reservations for collateral and projects related to housing. We all know about, I think even your own study or studies that have been done on housing on tribal lands, and I did take a glance at the December round table you did have, and so I don't need to dwell on it, but it is certainly extremely serious is how you can look at that.

Joshua Stallings: Before we come over to Audra, you kind of mentioned one thing there that we wanted to pick back up on. It was the CDFIs come in different shapes and sizes, and you're not one-size-fit-all. If we're working to try to expand access for CDFIs in the federal home bank system, how do we ensure we're not providing an avenue for bad actors or for those that we're not really trying to grant access to in the system, how do we keep that door open for those that we want but close for those that we don't?

Andrew Gordon: Joe's given this a lot more thought than I have in your working group I'm sure, but off the top of my head is start with what you've got and figure out how you get expertise within the Federal Home Loan bank system to really be responsive to the needs that are brought forward, I think. Then you'll be more educated in how to expand it to other CDFIs, in my opinion. I'm answering your thoughts, you've probably thought about it a lot, Joe.

Joe Neri: First of all, we all have applauded Jodi Harrison and the CDFI fund's work on CDFI certification, right? The statutory law is you have to be a certified CDFI. You have to maintain that, so I do think that this is the work of Jodi and her team and they are doing better work at this and that that has helped, as well. Again, we don't want to have bad actors. That said, I also want to make sure that the "what ifs" of... Look at if hedge funds came into this, and this will never happen, but if hedge funds came in with actually getting capital, respectful capital into our communities to create change, then hedge funds, come on in. The goal is not CDFIs. We're just a tool. The goal is change in communities and that we believe is getting capital into our communities. I just want to make sure that we don't create doomsday scenarios that I honestly don't think are going to happen because it's not binary. I think that that credit enhancement program that I just discussed, I wouldn't necessarily have a problem with that if one of the traditional bank members said, "Well if we could credit enhance this work that we have for the regular bank," I wouldn't want to exclude them because it's about getting capital into the community. Do I think that they'll spend a lot of time on it? I do not think they will. It's our mission, but that said, I wouldn't want to exclude them. What are we trying to do? We're trying to get capital into our communities, CDFI or otherwise.

Joshua Stallings: I think Audra, you did not get a chance to follow up before.

Audra Hamernik: You've moved on.

Joshua Stallings: Oh, okay. Well one other thing I wanted to come back around with you on, which kind of speaks to a point that I think Joe was making. The last time you spoke, right at the end you kind of squeezed in maybe looking at access for other entities like housing finance authorities or something. You want to elaborate a little bit more on that?

Audra Hamernik: I just think that again, if you've got another type of lender that can be involved, why not? Especially on the single family side. They're doing it right now, right? There's partnerships. We had a fantastic partnership with the Chicago Federal Home Loan Bank, with the Illinois Housing Development Authority. It felt like a partnership. We acted like partners, it was smooth. We helped a lot of people buy their first homes, so it was great. The Housing Finance Authority had a down payment assistance program, and it was terrific, and we were able to be very competitive, but there's got to be other types of work besides a single family. It could be the multi-family side, it could be some of the other folks that you're talking about, Joe. I just don't think that we should limit ourselves on how we think about getting low-cost capital, long term fixed rate so folks can build in the middle of a national housing crisis. I mean, we all admit that, so I don't know why we're not focused that direction.

Joshua Stallings: Tunua

Tunua Thrash-Ntuk: Just to answer your question directly, I think for CDFIs you're... Is it on? Oh, for CDFIs, you're going to have to rely on the CDFI certification to understand that and then I'm not sure who you want to keep out. I can't quite imagine who that is for myself, but whoever does come in, if there is some need for understanding who that is, my main suggestion here would be, you said it Joe, but we have to itemize out and see what kinds of things that they're using the funds for and have some guardrails around that. That way, I feel completely comfortable with whoever comes in as long as those guardrails are there and those guardrails are pointing towards the communities where we want to see the capital deployed.

Audra Hamernik: Product guidelines.

Tunua Thrash-Ntuk: Yes.

Joe Neri: Which was not the case with the captive insurance companies, so I just feel like that's just a red herring for the conversation. These programs have to be targeted to getting capital with the communities that we're concerned with, then bring people in. That wasn't an issue with the captives.

Joshua Stallings: I'm going to change gears on you a little bit here. Andy you, while it's not the primary focus today, you had an interesting suggestion on the board candidates in your written comments and I wanted to see if you wanted to elaborate on some of that.

Andrew Gordon: Well, I don't know if you have specific positions on the board by ex-officio or by title or something like that. I think it would be good to always have a CDFI representative. I noticed David Adam from [inaudible 02:11:58] is currently on the board to make sure candidates are brought forward from the CDFI world to be on the board. I would even go one step further. I think members of the board can and do outreach for the products and services for the Federal Home Loan Bank in their own communities. I think that's important, particularly with not necessarily the, it could be for membership, but more so towards these grant programs that are available to advocate for the Federal Home Loan Bank. That's really what I thought. I did also say that it seemed like the election process, I'm somewhat familiar with it, as you probably notice, this is not my normal space that I walk in, but I was, because the people who, Doug our CEO was not available, but in the election there's no real time for the membership to see the candidate verbally to give a narrative to talk about themselves or whatever it is, whatever. There's a certain connection there that's made, but it doesn't seem, I could be wrong, but there is there's not that opportunity for candidates to express their point of view. I think even at an annual meeting where that could be done prior to an election, many much like Opportunity Finance Network, which is the association of CDFIs, they do a good opportunity to expose people to the candidates and I think that would be good all across the board on getting the best candidates possible for the board.

Joe Neri: I always know when it's election season because my snail mail goes through the roof from all of these people running for the board of the small banks downstate, Illinois and Wisconsin. The one comment I'll make on membership is I would like to see a little bit more rotation in the community development board members, not the advisory committee. I think there's a decent amount of rotation, but my observation is that people stay in those positions for quite some time, and I think that that is an area where we can't, so if you have the same two community development reps on the board for 10 plus years, you're getting those two perspectives. We started this conversation about the broad world that is community development. If it's just two perspectives in that space, it really isn't encouraging a broader conversation about community development for the board.

Tunua Thrash-Ntuk: I'd like to underscore what my colleagues have said here. My experience is that it operates less public and more club-like. It contains board members who seem to continue to be the board members. There is not a lot of advertising about opportunities to join the board. It's not clear what the roles and responsibilities are and whether those board members who are on there are achieving those goals and meeting them accordingly. You can return to the board even after being off for a very short period of time, and so it continues, in my opinion, to have a very narrow and only a few perspectives and doesn't have a more public-facing experience with I think the rest of the region. I do think that the Federal Home Loan Bank does a really good job in San Francisco of rotating the members on the advisory council, sharing who those members are, creating space for additional community input. I simply don't see that occurring at the board level.

Joshua Stallings: Can you speak a little bit more about that engagement with the advisory councils, and do you believe that there's a way that that input could be better facilitated?

Tunua Thrash-Ntuk: Yeah, my comment here was not necessarily just about better input from the advisory council, but the fact that I know in San Francisco the staff take time to go out into the field. They see who's out there, they meet different actors and players and are engaging them. They're very thoughtful about how diversity of perspective, characteristics, and experience are brought to the Affordable Housing Council. You can really see that that rotation takes place, but yet there is a retention of history and knowledge. Now as far as the interaction between the board and the advisory council, I know for San Francisco on about an 18- or 24-month basis, there is an opportunity to engage with the board. What I can say that I am pleased with is that the board actually sends out not just community development professionals, but the CEOs of the banks, the chief credit officers, the treasurers of those institutions, really key members of the business of the bank are part of those discussions. Those discussions have been primarily about what are the issues within the region from a community development standpoint. It's been a wonderful exchange and learning experience. I'd love to see more of that because there are very few to no opportunities for business line bank members to engage with community and really be able to sit at the same table and have that conversation. That would be an area where I'm like, that's great and I want to see more of it.

Joe Neri: I mentioned that I've been at this a while and so has the working group. One of the goals that we set in order to begin to impress upon the banks that we are your partner in the community development space was that we had asked all of the members within each individual bank to do a couple things. One was to start a PR campaign, which was feed the banks your stories around community development, what you do in community development into their newsletters, and that was actually pretty successful.

Tunua Thrash-Ntuk: Your mic.

Joe Neri: Oh, I'm so sorry. The second piece of this was you need to go present to the board. The board of the banks need to know what is the role of CDFIs, what is the work that you are doing, and why is it important to the bank? Chicago, I called up Matt Feldman, I said, "We're going to do this. Yes we are." We were invited. We spent two days with the board. That happened in most of the banks, but there were actual banks that said, "You're not going anywhere near the board." Think about that in terms of what I'm trying to talk about, the partnerships that we're trying to create to meet goals to get capital into communities. You can't even meet the board to talk about CDFI's work in doing community development. I just want to give one of those questions. This gets back to do the banks and the boards see CDFIs as a partner in the work that we're trying to do?

Rodrigo Vela: Just one comment, and I don't know the reason behind this, but there is a disconnect between the board of directors and the affordable housing program advice report to the point that Joe is mentioning. If you are a member of the bank, you cannot become part of the affordable housing program advice report, so in a way you sort of desensitize or have these different buckets that don't talk to each other. The board of directors maybe is not fully sensitized or fully in tune with the community needs. I don't know if it should be a requirement or not of board candidates to maybe pass through a year or two at the affordable housing program to make them more in tune with the community development piece that at the end of the day it is one of the benefits or one of the objectives of the home loan bank system.

Joshua Stallings: Okay.

Tunua Thrash-Ntuk: I just want to say that that underscores my roles and responsibilities of the board member for the Federal Home Loan Bank. I think that's a very good point. Thank you.

Joshua Stallings: We are somewhat quickly closing in on our finish time here. I am going to ask one more question of over here before I'm going to do a quick round-robin. I'll tell you all a round-robin so you can think about it a little bit while we are, we're thinking through.

Joshua Stallings: I would ask all of you to consider if you could design new community development or economic development product or program from scratch, what would be the key features at the Federal Home Loan Bank? What would the key features of a new product or program with the Federal Home Loan Bank, what would the key features be for us to take away for our considerations?

Joshua Stallings: While we're all waiting on that that, Tunua, I'm going to ask you one more question and I want you to elaborate a little bit more on your suggestion on establishing a loan purchasing pool for smaller CDFIs and kind of how you would see that structured.

Tunua Thrash-Ntuk: This was related to also a comment I made earlier today about a need that we see out in the community and the need was associated with the fact that many CDFIs were doing small business lending, are doing so at the micro level. They themselves have capital constraints and many of their borrowers are diverse borrowers, Black and Brown entrepreneurs looking for access to capital and looking for with this solution, the idea is can the Federal Home Loan Bank consider either as this under this new economic development age P-like program creating and starting to set up pools of purchasing opportunities so that these smaller micro lending institutions are able to then sell those loans to that pool either directly to the Federal Home Loan Bank or some other intermediary that works with the Federal Home Loan Bank and making that happen. The goal is to help mature the market because there needs to be more of a maturing of that kind of loan. I do think eventually at some point there will be financial institutions that will be very interested in those loans, many of which need loans at that dollar figure, but it'll also help the field itself of CDFIs who are looking at how they make loans and not that they all have to conform to this particular pool, but to create the system so that they continue to strengthen and are able to then help be part of maturing that market. I do think, and I know that there are some pools out there right now, but frankly a lot of the smaller diverse-led CDFIs that are really working with the street vendors and those who again are looking for dollar figures at the $30,000 mark really need that liquidity as well and I don't see the field being able to respond to them specifically.

Joshua Stallings: Well Joe, let's start with you. We can give you a minute to think about your next answer, too. Start with you, kind of our round-robin. If we were developing a new product, what do you think some of the key features would need to be?

Joe Neri: So, all of the questions to put in round-robin, so from scratch is already a challenge. What I'll say is I'm just going to go back, goals with sticks. I would have a community development unit within the regulator whose purpose is to assist the banks with program design and development and haircut analysis so that more capital flows from the wholesale bank into our communities as partners versus the scenario that we have. I think that that, then having that at the beginning of the system that we create already sets a much better pathway for the use of all of these other amazing tools.

Joshua Stallings: All right, Audra, and also if you just want to deviate on the question and just give us the most significant change you think that we should be trying to make, that's all so far.

Audra Hamernik: Well, I'm with Joe. I'd like to see, I think goals that include more than single family for housing. I do like your idea about having an economic development program because we oftentimes are building mixed use, whether it's businesses that come into our buildings that are for our residents benefit or it could be a job training program for our residents, but it's really hard to fund those and I think it's nice and critical and I've got to be honest, municipalities love it and it's much easier if we get our zoning that way. Just long term fixed rate, right, more than 10 years. Something that matches up with LiTech.

Joe Neri: Which they can do. Yes, they can do.

Rodrigo Vela: 15, 17-year capital would be definitely something that can flow and then obviously we would need the ability to have to sell that paper so that we don't have to store it on our balance sheets. That would be one piece. Then the other one is that economic development program that Tunua was mentioning as part of fostering really vocational training into labors that are geared towards housing. That will bring, I believe, the supply labor cost down and we're going to have help systemically on the housing floor.

Joshua Stallings: Andy, coming around to you.

Andrew Gordon: Oh boy. Thank you. Probably a new program would be the equity investment in CDFIs because the dollars that it leverages, and also I think could reduce the need for too much secondary market because ultimately the business model is to make money too at the CDFI to further the mission of the CDFI, so as soon as you sell off loans, you don't have the earnings. The idea is, is the capital can help the earnings that helps us do the work that we do, I think. The not a new program has improved the existing programs. We talked about it related to advance rate, the rate charged on the loan and the term, and that can be done through a combination ideally of using some type of risk mitigation, perceived risk mitigation. I do believe impact measurement is really important as I think not, I didn't articulate it very well, but I think we need to know longitudinally the impact of our work and therefore attract funds that are not bank government or federal home loan bank funds. It's the philanthropic funds that can support innovation in this area to move the needle. That'd be my summary at this point.

Tunua Thrash-Ntuk: I have too many thoughts running through my mind in order to come up with a succinct set of thoughts, but I agree with everything each of my colleagues has said up to this point. Ditto all of those, and I said it earlier and I'll underscore it. If there's one thing that comes out of today's conversation is that I think we as a field have a set of recommendations that we can begin your rulemaking on regarding CDFIs, and I would love to see movement on our requests.

Wally Murray: Rodrigo mentioned one that wasn't foremost in my mind, which was whatever you do, create access to the secondary market. That's so important. That's how you get those big dollar players into the game without risking, getting them directly involved to manipulating the system. In my view, that's the most effective way to do that. I know my institution over the years has benefited from the securities offerings through the home loan bank system and as has countless others across the nation. It keeps the money moving, which is what flow of capital's all about.

Joshua Stallings: Anything else from our panel for the good of the record? All right, Chris, I'll turn it over to you. Closing remarks.

Chris Bosland: All right. Wow, we covered a lot and yet there's so much that we didn't cover. I mean the secondary market outlet for a lot of these loans I think is an area that we would really have liked to have explored, but I'll use this as an opportunity at the end of this process. I think this is the first of a series of eight more, and then there's a couple of virtual ones dealing with the service of outlining Hawaii and Alaska and some of the US territories. We're saving the government's money by not traveling there, to Guam necessarily, but we want to hear from them, so we're having virtual ones. At the end of that process, we'll have another listening session, but more importantly, I think from the things that we were discussing here today is another opportunity to submit written comments. In that I would certainly invite you all to provide any additional thoughts and with specificity, as much specificity as you can come up with on things like things we discussed and things we didn't discuss, secondary market being one of them. I think the credit enhancement idea, how that might actually be done, I think that's a very intriguing idea. I think there's a lot to be recommended. I would Joe, perhaps it's having grown up in, I come from New Jersey, kind of a low rent section of New Jersey, so I live in the bottom half of the glass, so I do suspect that if we don't specify with some detail what counts as getting money into our community, we will find that suddenly that becomes fought over and used in ways that if there are metrics or measures that you think would be helpful for us to consider is part of that package.

Joe Neri: The federal government is replete with all kinds of ways that we could do that.

Chris Bosland: Yeah.

Joe Neri: [inaudible 02:32:12] sense. I mean, we don't need to invent any, we could just choose one.

Chris Bosland: No, no, no. That's exactly the kind of things we want to hear. Again, since you all have slightly different perspectives, the measures may be different, but it's helpful for us to get that in writing. I want to thank you all for coming here. I almost said it, I almost said Nevada. Again, that's my east coast thing, but I've been coached and warned that it's Nevada, so I apologize, but thank you for coming here. I do want to give a shout out to the folks in the back from FHFA. These events don't happen by themselves and certainly a series of events around the country don't happen, and we're very grateful and lucky to have them. I mentioned that the upcoming process and as Josh said, please visit the websites and encourage people that are not here but that are in your networks to do likewise and be mindful of the comment period and so forth. Thank you all for your time and your thoughts and safe travels home.

Joe Neri: Thank you for doing this.

Audra Hamernik: Thank you.