

FEDERAL HOME LOAN BANK OF CINCINNATI
2013 Community Lending Plan

INTRODUCTION

On December 28, 1998, the Federal Housing Finance Board (Finance Board)¹ issued regulation 98-48, entitled the Community Investment Cash Advance (CICA) regulation. The CICA regulation addressed all current and future community-oriented lending activities in which the Federal Home Loan Banks (FHLBanks) may engage and provided the FHLBanks an opportunity to formally address the provision of credit for community lending (economic development) activities. The regulation required the FHLBanks to complete an assessment of the economic development needs and market opportunities occurring in their respective districts by June 30, 1999 and to develop a community lending plan in response to the identified needs by January 31, 2000 and annually, thereafter.

MARKET RESEARCH/ASSESSMENT

The Federal Home Loan Bank of Cincinnati (the FHLBank) assessed community lending needs and market opportunities occurring within the Fifth District by consulting with numerous individuals, agencies, cabinets, Members, organizations and professionals in the economic development field. The FHLBank conducted community lending forums throughout the District and reviewed published materials, reports and indicators of unmet housing needs, Brownfields, and economic development needs. The first Assessment of Community Lending Needs and Market Opportunities Report was submitted to the Finance Board in June 1999.

Throughout 2000, the FHLBank engaged in additional research into economic development needs through ongoing consultation with agencies, cabinets, Members, organizations and professionals in the economic development field. The FHLBank conducted a series of five economic development informational meetings at which information on economic development opportunities was solicited from the Members in attendance. In addition, the FHLBank hosted a regional conference on metropolitan growth and sprawl.

During 2003 and 2004, the FHLBank continued to assess needs and promote economic development opportunities. FHLBank staff continued to participate in the Memphis Business Opportunity Fund, pooling resources from the City, from lenders, and others to create a vehicle for business lending and investment. The fund was administered by Southeastern Community Capital (SECC), one of the FHLBank's Partners, and the FHLBank shared in the Fund's operating costs for the first two years.

¹ In 2008, as part of the Housing and Economic Recovery Act, the Federal Housing Finance Board was replaced by the Federal Housing Finance Agency.

During 2005, the FHLBank received additional input on community lending needs from members of the Advisory Council's Economic Development Committee, who were requested to review and update the needs identified within the Fifth District.

On July 30, 2008, the President George W. Bush signed the Housing and Economic Recovery Act of 2008 (HERA). HERA made substantial changes in the regulation of financial institutions, including the FHLBanks, and provided significant new authority and funding related to housing and economic development. Included in HERA is a provision which allows Community Development Financial Institutions (CDFI) to become members of the FHLBanks. Currently, the FHLBank has three CDFI Members – Cincinnati Development Fund, Community Ventures Corporation and the Federation for Appalachian Housing Enterprises.

Per Section 1290.6 of the Code of Federal Regulations, in addition to summarizing its targeted community lending within its Community Lending Plan, an FHLBank is also required to summarize its affordable housing activities as well. The following information summarizes three distinct affordable housing needs addressed in 2012 via the establishment or renewal of voluntary funding by the FHLBank's Board of Directors.

In 2010, the FHLBank's Board of Directors established the Carol M. Peterson Housing Fund (CMPHF), which is an umbrella fund through which most of the FHLBank's voluntary programs are funded. The initial \$1 million fund was created to provide grants for the construction of ramps for low- and moderate-income special needs households. At the recommendation of the FHLBank's Advisory Council, the program was amended in 2011 to provide grants for accessibility rehabilitation and emergency repair and expanded to include elderly homeowners.

In 2012, the FHLBank's Board of Directors elected to replenish the fund with another \$1 million dollars and, at the recommendation of the Advisory Council, expand the programs that are financed through the fund. Specifically, the fund continued to finance the Accessibility Rehabilitation Program, which provides grants for rehabilitation and emergency repair for special needs and elderly homebuyers, but also was expanded to create the Carol M. Peterson Excellence in Service Award.

The Carol M. Peterson Excellence in Service Award is a distinguished award recognizing those affordable housing partners in Kentucky, Ohio and Tennessee that have effectively utilized the FHLBank's Housing & Community Investment Programs over the years, particularly in the development of housing for special needs households. A recipient was selected from each of the three states and given a \$75,000 grant for use in the construction of new home for a special needs household.

From February 29 through March 2, tornadoes caused wide-spread damage to several communities within the Fifth District. After several meetings and conversations with the

Federal Emergency Management Agency, Kentucky and Ohio state emergency management agencies, Member institutions and affordable housing partners in the affected areas, the FHLBank's Board of Directors established the Disaster Reconstruction Program (DRP) with a \$5 million allocation. Through the program, grants up to \$20,000 per household are provided to those qualifying households affected by a state or federally declared disaster. The funds can be used to purchase a home, build a new home or rehabilitate an existing home. The program is funded through voluntary contributions by the Board of Directors outside of the required regulatory contribution to the Affordable Housing Program and outside of the voluntary \$1 million contribution to the Carol M. Peterson Housing Fund.

In assessing the housing needs that arose from the aforementioned tornadoes. The FHLBank has also engaged in conversations with various stakeholders regarding the need to provide targeted community lending to those businesses that were adversely impacted by federally or state declared disasters. The FHLBank will continue to engage in such discussions in 2013 to determine whether or not it may be able to address those needs within its existing Community Investment and Economic Development programs.

SUMMARY OF IDENTIFIED NEEDS

The FHLBank has identified credit needs and market opportunities in economic development lending in three sectors: real estate financing needs, business financing needs, and specialized financing needs. The following summarizes the needs in each area:

Real Estate Financing Needs:

1. Fixed rate financing, at low-interest or guaranteed rates, for construction and permanent financing (CIP);
2. Downtown development, i.e., façade and improvement loans for commercial properties and financing of upper story housing (CIP/EDP);
3. Infrastructure improvements and neighborhood revitalization (CIP/EDP);
4. Pre-development funding sources for commercial and mixed-use real estate development (ZIF);
5. Childcare/Daycare facilities, freestanding and within affordable housing developments (CIP/EDP);
6. Real estate financing for newly constructed, affordable owner-occupied and rental housing development, as well as the preservation of existing affordable units (AHP/CIP);
7. Funds for rehabilitation of existing housing, especially for the elderly (AHP/AR);

8. Financing for community centers and teen centers based on a plan for structured, sustainable programming (CIP/EDP);
9. Rural medical and health facilities financing (CIP/EDP);
10. Cultural and arts facilities financing (CIP/EDP);
11. Transitional housing for persons leaving rehabilitation or other protected environments to assist in reintegrating into society (AHP/CIP);
12. First mortgage refinancing, especially for households facing economic distress or foreclosure (CIP); and,
13. Funds to bring vacant properties back into occupancy, especially those vacant because of foreclosure (AHP).

Business Financing Needs:

1. Equity investments (venture capital, seed money, micro-loans) for business start up and expansion, especially in rural and Appalachian communities (*through partner organizations such as SECC, Kentucky Highlands Investment Corporation, etc.*) (ZIF);
2. Loan guarantee programs and lender consortia (EDP);
3. Pre-development funding sources for small business development and expansion purposes (ZIF);
4. Disadvantaged business development financing, i.e., additional credit resources to provide capital for minority, women-owned, and disadvantaged business formation (through partner organizations) (ZIF);
5. Increased credit resources for construction or modernization of plant and equipment, thereby increasing productivity, new product development and market expansion opportunities (through partner organizations) (CIP/EDP);
6. Financing of non-traditional industries and entrepreneurs, e.g., tourism, seasonal enterprises, and new and expanding medical technologies (CIP/EDP);
7. Financing for emerging technology companies (CIP/EDP);
8. Working capital, especially revolving credit from \$500 to \$250,000 for micro and small businesses (ZIF and partner organizations);
9. Alternative crop financing (CIP/EDP); and,
10. Financing for technology (CIP/EDP and through partner organizations).

Specialized Needs:

1. Small business and entrepreneurial technical assistance support, i.e., business planning, financial management assistance, business development assistance and marketing, entrepreneurial assessment (through partner organizations);
2. Education and technical assistance to members, community financial intermediaries and public and private economic development partnerships and organizations (through partner organizations/EDP);
3. Credit and financing needs in both urban and rural areas for Brownfields acquisition, remediation, site preparation and redevelopment (CIP/EDP);
4. Mortgage credit and down payment assistance in support of minority homeownership to produce equity buildup for business formation and expansion (AHP/WHP);
5. Financing and lines of credit for social service programs in support of housing development (CIP/EDP);
6. Seed capital for non-profit organizations with a community development or community service focus (CIP/EDP/ZIF);
7. Funds for infrastructure needs, such as water and sewer lines (CIP/EDP/ZIF); and,
8. Funds for land-banking so developers, especially those with a mission to build affordable housing, can act quickly to gain control of land parcels for development (CIP/EDP).

COMMUNITY LENDING ACTIVITIES AND METHODOLOGIES FOR 2013

In response to the identified needs, the FHLBank will continue to provide financing for community economic development and small business expansion in the Fifth District.

All communities, particularly distressed communities, should be empowered to develop and implement their own economic development and revitalization strategies. The primary programmatic objectives of the FHLBank's Community Lending Plan are to respond to community needs and priorities that retain and create private sector jobs and leverage private capital.

These objectives will be accomplished through entrepreneurial lending and promotion, small business lending and promotion, and Member venture capital investments for community and economic development activities within the Fifth District. These objectives should also result in additional public works investments and the generation of increased tax revenues for distressed communities.

In its initial Assessment of Community Lending Needs and Market Opportunities, the FHLBank noted a number of diverse credit needs that hinder the development of viable,

sustainable communities in parts of the Fifth District. Subsequent research has reinforced these findings. The attraction of capital to business start up and expansion within certain geographic sectors remains the lowest in the nation. The FHLBank recognizes that a unified assortment of strategies and participants are necessary to address the identified community and economic development financing needs in each community.

In 2013, the FHLBank will partner with the Ohio Community Development Corporation Association (Ohio CDC) either via membership or a sponsorship. The Ohio CDC is a statewide membership organization of Community Development Corporations that engages in capacity-building, advocacy and public policy development that fosters socially and economically healthy communities. The goal of partnering with the Ohio CDC is to further explore opportunities for economic development.

LENDING ACTIVITIES

Advances Programs

The FHLBank's Economic Development Program (EDP), introduced in 2000, will continue to address economic development lending. The Community Investment Program (CIP) will continue to be utilized to address economic development and housing financing.

Zero-Interest Loan Fund

In 2000, the Board of Directors approved the establishment of a Pre-development Fund (Fund), which was later redesigned and renamed the Zero Interest Fund (ZIF). The ZIF program provides zero-interest, recoverable loans to Members working with for-profit and not-for-profit organizations involved in the development of community lending projects. The ZIF program, initially capitalized by the FHLBank through annual contributions of \$250,000 over a period of four years, will assist with early project costs typically not available through normal Member lending practices. ZIF loans are limited to a maximum of \$100,000 per loan.

During 2003, the ZIF program was broadened to include other uses, such as real estate acquisition related to development, working capital, and housing development. Under certain circumstances, borrowers will be allowed to extend the term beyond the initial two-year period. The program was capitalized with an additional \$1 million and the first repayments from earlier loans were received during 2004.

During 2007, the Board of Directors changed the maximum terms of ZIF loans for residential projects to 18 months. The maximum term for loans for economic development projects remained at 24 months, with extensions for good cause. The ZIF continues to be a viable lending program in support of targeted community lending and affordable housing activities.

Letters of Credit

The FHLBank will continue to promote utilization of letters of credit as effective tools for housing and community lending activities. The FHLBank offers reduced costs on its letters of credit issued through the Community Investment or Economic Development Programs.

NON-LENDING ACTIVITIES

Partnership Development/Strategic Alliances

In 2000, the FHLBank was instrumental in the development of seven partnerships and strategic alliances with established economic development organizations and a state housing finance agency within the District. The purpose of the partnerships is to further economic development activities, particularly in under-served regions of the District.

The FHLBank became a full Member of the Kentucky Renaissance Alliance (Alliance) in 2000. The Alliance has been comprised of seven agencies dedicated to redevelopment and revitalization of the Commonwealth's cities and towns. The Alliance has undergone some substantial revisions and the FHLBank remains a part of the Alliance on a reduced scale.

In 2001, the FHLBank increased the number of partnerships to ten by developing three additional partnerships with organizations involved in community lending and specialized needs. The FHLBank also focused on responding to the credit needs of the existing partner organizations. The partners also met with the FHLBank's Advisory Council and summarized their work and offered suggestions about meeting future needs.

In 2002, activity with the FHLBank's partners was relatively limited. The FHLBank's activity was primarily focused on responding to the credit needs of its ten partner organizations.

During 2003, the FHLBank continued to assist in structuring partnership relationships between members and nonprofit organizations involved in community lending activities. In 2004, the FHLBank continued to foster the development of partnerships between members and nonprofit organizations to facilitate economic development project lending and multi-family lending.

During 2004, the FHLBank continued to participate in the Memphis Business Opportunity Fund. The Memphis Business Opportunity Fund pooled resources from the City of Memphis, from lenders, and others to create a vehicle for business lending and investment. The Memphis Business Opportunity Fund is administered by SECC, one of the FHLBank's partners, and the FHLBank shared in the fund's operating costs for the first two years (ending in 2004). The fund is now a program of the City of Memphis which fully funds program operations. SECC continues to administer the program.

In 2005, the Advisory Council's Economic Development Committee reviewed the formal partnerships. The purpose of the review was to assess the participation of the partners in programs of the FHLBank, to consider whether some of the partnerships might be retired, and whether new partnerships might be initiated.

The Economic Development Committee developed formal criteria for partnerships which were adopted by the Board of Directors. The criteria for partnership are:

- (1) The organization must have a regional/state geographic region extending beyond city/county areas;
- (2) The partnership must result in utilization of FHLBank products or partnership with projects;
- (3) The partnership must result in mutual promotion of the other partner; and,
- (4) There must be compatibility of mission between the partner and the FHLBank to assist and revitalize communities. The Board of Directors also adopted a recommendation to expand the number of formal partnerships.

Late in 2005, formal partnership agreements were executed with the Ohio Housing Finance Agency and the Ohio Capital Corporation for Housing. In 2006, a formal partnership was executed with the Tennessee Housing Development Agency. Partnerships with Adena Ventures and Renaissance Kentucky were retired.

No changes to the formal partnerships have been made since 2006. However, the FHLBank, in conjunction with the Advisory Council, will conduct a thorough review of its existing partnerships.

Technical Assistance

The FHLBank will continue to provide ongoing CICA funding resources, information and technical assistance to members and their partners in support of economic development and community lending activities. The technical assistance may include project structuring and brokering, and developing relationships between resource representatives and members.

Education and Training

The FHLBank will continue to provide or participate in a variety of educational and training opportunities to members and sponsors involved in community lending. The training will be in the form of informational seminars, webinars, conferences, and other meetings co-sponsored with partnership organizations and others.

Research

The FHLBank will continue to stay abreast of ongoing research to assess unmet credit needs and market opportunities occurring throughout the Fifth District. Of particular interest in 2013 is assessing the economic development needs of those communities

impacted by federally and state declared disasters and the opportunity to meet their needs via one of the FHLBank's existing HCI programs.

Information Dissemination

The FHLBank will utilize its website, www.fhlbcin.com, as a link with our partner organizations' websites to inform members, community organizations, small businesses, and entrepreneurs about pre-development and financing resources, business development opportunities, and other technical assistance resources. The FHLBank will communicate information in FHLBank publications about successful programs and projects to encourage participation by members and partners in economic development activities.

The FHLBank will develop additional informational materials to promote Member utilization of FHLBank resources for community lending.

Staff Capacity

The FHLBank will provide staff training opportunities that will support community lending financing and economic development skills and build capacity for providing technical assistance to members and their partners.

PERFORMANCE GOALS

The CICA regulation requires the FHLBank to develop annual performance goals and measurable achievement standards. The following goals and achievement standards have been identified for 2013.

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| 1. Approved economic development and community lending projects utilizing EDP and CIP advances. | 50 |
| 2. AHP/CICA seminars and participation in other meetings for Members and economic development partners. | 40 |
| 3. Approved Zero Interest Fund Projects | 8 |
| 4. CICA/AHP funding transactions with Partnership Organizations | 40 |

Figure 1 on the following page summarizes the 2012 Community Lending Plan's goals and results as of September 30, 2012.

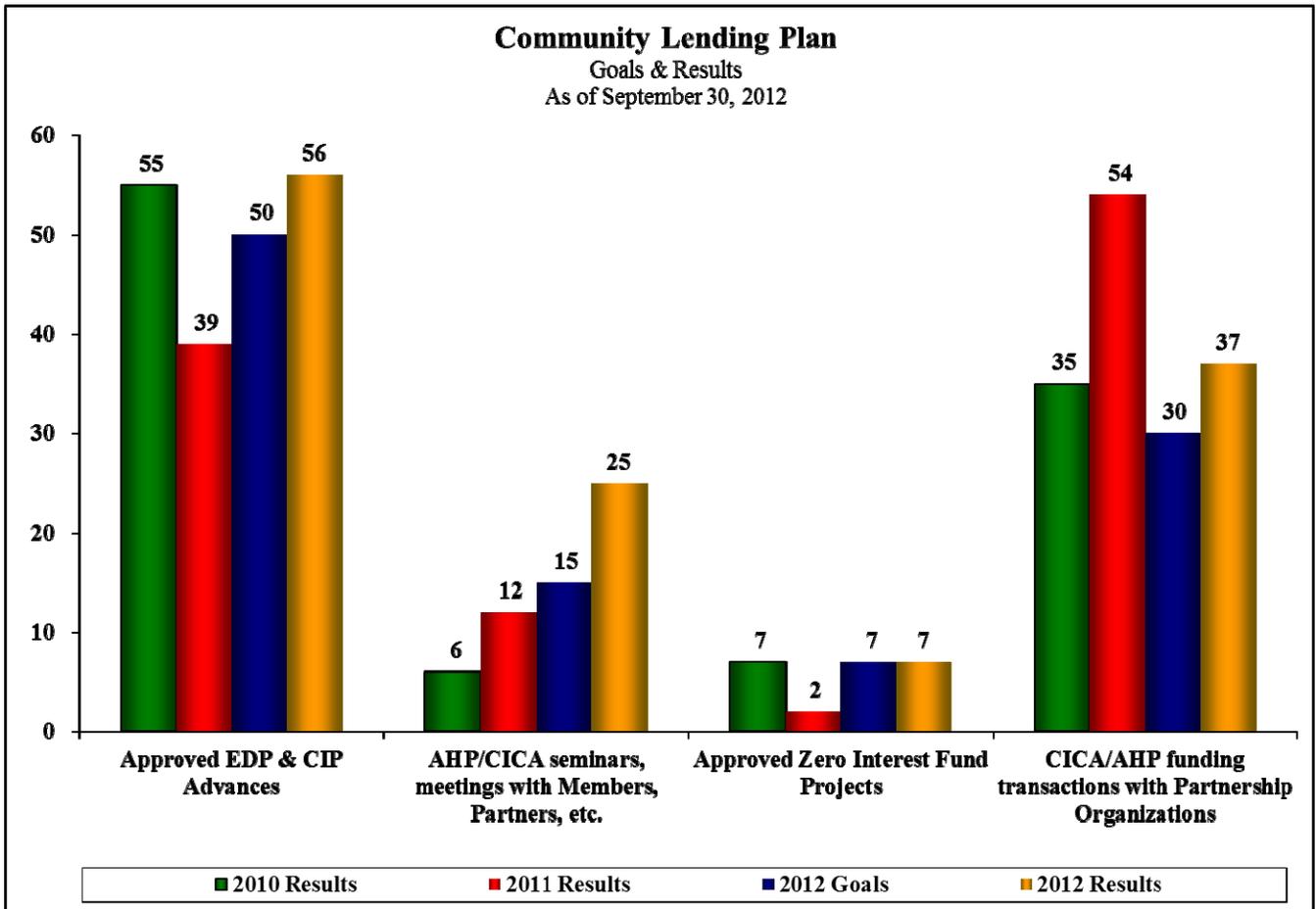


Figure 1