



2017 Community Lending Plan

December 2016



Executive Summary

The Federal Home Loan Bank of Pittsburgh (Bank) is pleased to provide its 2017 Community Lending Plan (Plan). The Plan provides an outline of the Bank's proposed activities for 2017 that will assist its members in reaching their housing and community development goals for the communities they serve.

The Federal Housing Finance Agency (FHFA) Community Investment Cash Advance (CICA) regulation requires each Federal Home Loan Bank (FHLBank) to complete an assessment of the credit needs and market opportunities for community lending in its district. The regulation also requires each FHLBank to develop an annual plan on or before January 31 of each year. The plan must be approved by the FHLBank's Board of Directors and submitted to the FHFA. While encouraging the FHLBanks to develop new programs and initiatives, the regulation ultimately promotes renewed participation of members in the housing and community development of their communities.

Within this Plan, the Bank provides a summary of the credit needs and market opportunities identified by the Bank for its district, which includes Delaware, Pennsylvania and West Virginia. These findings were derived from a variety of sources, including meetings with members and community stakeholders, research from various state and federal agencies, the results of the Bank's 2014 Housing Needs Assessment and information gathered in conjunction with the preparation of the Bank's Strategic Plan.

The Bank offers a suite of products and initiatives that provide members the resources needed to expand their lending and investing in affordable housing and community development. These community-related offerings are funded through the Bank's earnings either through a required annual contribution to the Affordable Housing Program (AHP) or voluntary Bank contributions to programs such as Banking On Business (BOB) and Blueprint Communities®. The products and programs offered by the Bank are important to our membership and the communities they serve.

In 2017, the Bank will continue efforts to assist our members and other stakeholders in the district to address the increasing challenges for affordable housing and community development.

Market Assessment

The Bank's Strategic Plan, coupled with the 2014 Housing Needs Assessment, provides the basis for the evaluation of credit needs and market opportunities, which have been incorporated as part of this Plan. The Bank supplements its market assessment by:

- Staying abreast of district developments
- Reviewing state consolidated plans
- Assessing the State of the Nation's Housing 2016 (Joint Center for Housing Studies)
- Consulting with our Affordable Housing Advisory Council (Council)
- Building strategic partnerships

Strategic Plan

The Bank's Strategic Plan focuses on four strategic objectives: (1) Deliver Member Value; (2) Manage Risk and Return; (3) Develop, Reward and Engage Employees; and (4) Champion Continuous Improvement.

The Bank's community investment activity is covered under the Deliver Member Value strategic objective, which has established the following three strategic goals:

- Goal 1: Increase product volume for advances, Letters of Credit and the Mortgage Partnership Finance (MPF[®]) Program[®]
- Goal 2: Increase the use of core products. Core products include: advances, the MPF Program, Letters of Credit, safekeeping and four community investment products
- Goal 3: Build strategic partnerships

Housing Needs Assessment

In 2014, the Bank engaged The Reinvestment Fund (TRF), a research and policy organization based in Philadelphia, to conduct an analysis of housing needs using key data indicators. TRF subcontracted with Diana T. Myers and Associates Inc. to provide data analysis relative to the housing needs for the homeless and persons with special needs. In addition, Bank staff completed an overview of national housing issues and trends, which provided a foundation for assessing the needs in the Bank's district.

The resulting Housing Needs Assessment report was used by Bank management, the Council and the Board of Directors to establish an outcomes framework, which is discussed later in the Plan, and set housing priorities for the district. These priorities guide decisions for scoring criteria for AHP and the creation of AHP set-asides, such as support for first-time homebuyers under the First Front Door product. The Bank established the following priorities based on the Housing Needs Assessment, research and national trends:

- **Expanding and preserving affordable rental housing.** The recommendations section of the consultant's report indicated that "there is a persistent and disparate financial stress on renters when compared to owners." The stress is most acute for the following specific populations:

- Persons with disabilities – having relatively low incomes and the highest housing cost burden
 - Homeless – the number of homeless decreased from 2007-2012, but the need persists for those that are chronically homeless, veterans and homeless families
 - Extremely low income (30 percent of area median income [AMI]) and very low income (50 percent of AMI) – these households have relatively high housing cost burdens
- **Providing improved conditions and/or an opportunity for:**
 - Households living in substandard conditions
 - Renters seeking homeownership
 - Minority households
 - Owners at risk of foreclosure
 - Seniors
- **Other needs identified in the assessment, including housing for:**
 - Rural households
 - Veterans
 - Young adults aging out of foster care
 - People released from prison

District Developments

The Bank stayed abreast of district trends and opportunities using multiple sources, including secondary data, dialogue with members, and consultation with the Council and a variety of other stakeholders.

The Bank held monthly internal business strategy meetings to discuss district housing and community development concerns, trends and topics that required further study. During the course of the year, several topics were reviewed in depth, including:

- AHP scoring and feasibility definitions
- Revisions to the Banking On Business product and Blueprint Communities initiative
- Housing trends
- Updates on new legislation, policy and programs in the district

In addition, the impact of the flooding that occurred in West Virginia on June 22 was assessed, along with the Bank's options for supporting members as they considered possible contributions to the recovery. As a result of the flooding, 23 people lost their lives, more than 2,500 homes were damaged and more than 1,500 homes were destroyed. Twelve counties were declared Federal Disaster Areas.

State Consolidated Plans

The Consolidated Plans for Delaware, Pennsylvania and West Virginia were reviewed as part of the data-gathering process for the Plan. The Consolidated Plans are a Department of Housing and Urban Development (HUD) requirement intended to address the critical housing and community development needs of each state, provide housing market analysis and summarize the state's methods of distributing federal funds to local governments and organizations.

Pennsylvania's Consolidated Plan identifies the following 11 housing priorities:

- Improve quality of housing stock through rehabilitation
- Assist individuals and families with finding affordable housing through new rental units and rental assistance
- Assist individuals and families with obtaining necessary public services
- Provide flexibility to local government officials to meet municipal needs for preserving neighborhoods by providing assistance for infrastructure and community facility projects
- Provide assistance to municipalities to clear and demolish substandard housing and rid communities of health and safety hazards
- Provide rental assistance for persons living with HIV/AIDS to find affordable housing
- Address housing needs of the homeless, providing necessary supportive services
- Further fair housing and address impediments to housing choice
- Develop economic opportunities especially in rural areas
- Assist families and individuals to become homebuyers and encourage neighborhood economic stability
- Build capacity of community-based organizations to meet resident needs and encourage planning

Delaware's Consolidated Plan identifies the following five housing priorities:

- Preserve and expand Delaware's stock of affordable rental housing
- Assist Delaware families to achieve and sustain homeownership, including homebuyer assistance and rehabilitation assistance for existing homeowners
- Reduce the family and community impact of foreclosure via prevention and recovery programs
- Provide resources for local communities to address community development needs
- Assist in ending homelessness and ensure that those at risk of homelessness have access to affordable, integrated, supportive housing options, including permanent supportive housing

West Virginia's Consolidated Plan identifies the following eight priorities:

- Increase the supply of affordable rental housing
- Support homeownership opportunities for low- to moderate-income first-time homebuyers
- Increase affordable, accessible housing opportunities for special needs populations
- Enhance the quality of housing for low- to moderate-income homeowners
- Support local efforts to assure that households in a housing crisis are able to obtain and/or maintain housing stability
- Support job creation or retention efforts
- Support local community development efforts to help low- to moderate-income citizens achieve an improved quality of life by supporting locally developed strategies to protect, maintain and expand access to facilities and services, and to revitalize deteriorating downtown and residential neighborhood areas
- Support local government efforts to provide affordable infrastructure systems to strengthen the foundations for economic growth and alleviate conditions that affect environmental quality, public health or welfare

Housing Cost Burden

According to the State of the Nation's Housing 2016, produced by the Joint Center for Housing Studies of Harvard University:

- New home construction starts, at near-historic lows of 1.1 million, mirror the reduction in new households, which has fallen to 1.2 million. Many young adults are choosing to remain in residence with parents. New home construction is expected to rise to an average of 1.6 million over the next 10 years.
- Across most age categories, homeownership rates rose between 1995 and 2005 and then declined between 2005 and 2015, when it fell to below pre-1995 levels. Conversely, rental rates rose during the last 10 years.
- Between 2008 and 2014, the number of cost-burdened renter households increased while the number of cost-burdened owner-occupied households decreased in the nation. Nationally, there are now more renter households cost-burdened than owner-occupied households.
- In the Bank's three-state district, cost-burdened owner-occupied households continue to outnumber cost-burdened renter households, as evidenced in the respective state Consolidated Plans:
 - In Pennsylvania: 289,825 renters and 300,350 owner-occupied households experience cost-burden.
 - In West Virginia: 105,159 renters and 119,426 owner-occupied households experience cost burden.
 - In Delaware: 38,815 renters and 47,410 owner-occupied households experience cost burden.
- Between 2000 and 2014, the number of people living in concentrated poverty – living in census tracts with poverty rates of 40 percent or more – more than doubled from 6.5 million to 13 million.

Affordable Housing Advisory Council

The Bank's Council has 15 members who represent a cross-section of housing and community development professionals from the Bank's district. The Council's purpose is to advise the Bank's Board and management on housing and community development matters in the district. Council members also assist the Bank in developing an ongoing understanding of specific needs and help build relationships with the community investment stakeholders.

In 2013-14, the Council actively participated in the creation of the Housing Needs Assessment. In addition, Council members completed a housing needs survey, which was used in conjunction with the Housing Needs Assessment to establish the following outcomes framework for AHP:

- Increase the percentage of subsidy approved for rental housing for persons with special needs, homeless households and households with extremely low income
- Increase the percentage of projects approved that involve member financial participation
- Increase the average score in the Community Stability category for approved projects

In 2015 and 2016, the Bank's AHP Implementation Plan (AHP Plan), which establishes the Bank's scoring priorities for our competitive AHP funding, was revised to reflect the priorities identified by the Housing Needs Assessment and the housing policy outcomes framework. The following changes were made to the 2015 and 2016 AHP Plans:

2015

- Reduced the Community Stability score from 25 to 20 points, while adding project use of local "land banks" properties as a scoring technique
- Created a member financial participation scoring category
- Increased the maximum score for income targeting from 20 to 22 points
- Changed the homeless and special needs scoring categories from fixed-point to variable-point scoring

2016

- Increased points for the owner-occupied rehabilitation technique in the Community Stability category from three to 10 and added tiered scoring; removed the \$10,000-per-unit threshold requirement
- Streamlined documentation requirements in the Community Stability category
- Created a Disaster Relief set-aside to provide assistance for home repair and new home purchase for those affected by the June 22, 2016, flood in West Virginia.

The 2015 and 2016 AHP Plan changes produced the following results, as weighted against 2014 benchmarks and 2015-2017 goals:

AHP Outcomes Framework

Outcome	Benchmarks 2012-2014	Goal 2015-2017	2015-2016 Actual
Priority Housing Needs* Increase the percentage of subsidy approved for rental housing for: <ul style="list-style-type: none"> • Special needs • Homeless • Extremely low income 	<ul style="list-style-type: none"> • 40% • 25% • 26% 	<ul style="list-style-type: none"> • 45% • 30% • 31% 	<ul style="list-style-type: none"> • 45% • 29% • 31%
Member Engagement Increase the percentage of projects approved that involve member financial participation	<ul style="list-style-type: none"> • 42% 	<ul style="list-style-type: none"> • 50% 	<ul style="list-style-type: none"> • 85%
Community Impact Increase the average score in the community stability category for approved projects	9.89 points (note: only 2014 round information was used for the benchmark)	14 points	11.28 points

*Priority housing needs identified in 2014 Housing Needs Assessment

For 2017, the Council has continued to provide valuable guidance and has participated actively in the process for revising the AHP Plan. The following changes are proposed for the 2017 AHP Plan:

- **Empowerment**: Adding food service programs to on-site primary health care services technique
- **Rural**: Providing alternative options for validation documentation
- **Readiness to Proceed**: Removing Neighborhood Stabilization Program language for site control
- **Community Stability**: Providing forms for documentation purposes, clarify requirements to meet criteria, and adding a category for units being replaced or rehabilitated due to damage caused in federally declared disaster areas

Strategic Partnerships

In 2016, the Bank sponsored and/or attended 10 major housing- and community-development-related events, including the Delaware State Housing Authority’s Governor’s Housing Conference, the Pennsylvania Downtown Center’s Annual Statewide Conference, the Pennsylvania Housing Alliance’s Homes Within Reach Conference, Pittsburgh Community Reinvestment Group’s Community Development Conference and the West Virginia Housing Conference. Support of, and attendance at, these conferences provides the Bank with exposure to the most current state/local housing and community development issues and best practices. In addition to these events, the Bank:

- Partnered with the Federal Reserve Bank of Cleveland to organize and present a workshop on housing and community development opportunities, *Foundations for Growth*, in Wheeling, W.V.

- Supported and participated on a panel at the Federal Reserve Bank of Philadelphia's *Reinventing Our Communities* conference
- Conducted a "meet and greet" with the staff from the Pittsburgh and Allegheny County Redevelopment Authorities to exchange information on respective small business lending programs
- Supported a breakfast meeting on Capital Hill for a group of Pennsylvania-based homeless service providers who were in Washington D.C. to meet with their congressional delegation
- Presented at the West Virginia Housing Development Fund's Low Income Housing Tax Credit Workshop
- Held a roundtable discussion with senior staffers at the West Virginia Department of Commerce
- Participated in the Leadership Team for the City of Philadelphia's *100-Day Challenge to End Chronic Homelessness* via appointment of Bank staff

Opportunities

Based on information gathered from a variety of sources, as outlined in the preceding sections of the Plan, the following areas have been identified as priorities:

- Expand the use of the Bank's community investment products, increasing member participation
- Build strategic partnerships by strengthening relationships with multiple stakeholders, coordinating investment of limited resources among funders, developing banking partnerships and convening stakeholders to share best practices and ideas to address significant issues
- Provide education and networking for members that expands their opportunities to support community investment
- Focus on the most critical housing needs in the district, including extremely low-income households, persons with disabilities, and homeless individuals and families
- Prioritize rehabilitation and preservation, including owner-occupied housing, home modifications for seniors and persons with disabilities, and preservation of existing subsidized units
- Support comprehensive community development by developing community leaders and local capacity and rewarding community and affordable housing developments that are consistent with sound local planning and have the potential for the greatest impact
- Support economic development by encouraging the creation/expansion of small businesses through access to appropriate capital resources
- Provide disaster relief to respond to crisis situations within the three-state district, partnering with members to provide home purchase assistance, owner-occupied rehabilitation, business assistance and access to liquidity

2016 Performance and 2017 Goals

Goal Title	2016 Goal	2016 Performance	2017 Goal
1. Expand the use of the Bank's community lending products and services			
a. Increase the number of members using the Bank's community investment products	Achieve at least 135 member uses of community investment products	As of Oct. 31, there have been 127 uses of community investment products by 91 different members. Products include the Affordable Housing Program (AHP), First Front Door (FFD), Banking On Business (BOB) and the Community Lending Program (CLP).	Achieve at least 135 member uses of community investment products
b. Commit CLP funds to specific projects	Commit funds to 35 specific CLP projects	The Bank launched a campaign in May to promote CLP that included direct communication and supportive materials. The Bank has committed \$45.7 million in 2016 CLP funding to 30 specific projects through Oct. 31, 2016, as compared to \$59 million and 22 projects through Oct. 31, 2015.	Commit CLP to 40 specific CLP projects
c. Technical assistance and education	Continue to expand relationships with the Bank's partners and provide a variety of technical training/assistance options for members and community investment stakeholders	<p>The Bank organized and presented a variety of informational webinars for members and non-member stakeholders that covered all the Bank's community investment products including:</p> <ul style="list-style-type: none"> "AHP for Members" "AHP 101" "AHP Application Tips" BOB general information CLP general information FFD webinars highlighting the online system and overall FFD program <p>Bank staff fielded 117 technical assistance requests during the 2016 AHP funding round. In addition, the Bank continued to offer its member/sponsor matching assistance service and had 30 requests for matching. Matches were made for 15 of those requests.</p>	Continue to provide a variety of technical training and educational options for members and community investment stakeholders
d. Commit BOB funds to eligible small businesses	Commit all funds available to eligible small businesses and increase the number of members using the BOB product to 25	In 2016, the entire lending authority, \$5 million, was committed to 53 eligible small businesses, resulting in 766 jobs created or retained. In 2016, 17 members received a commitment of BOB funds.	Commit all funds available to eligible small businesses and increase the number of members using the BOB product to 30
e. Member education	Conduct four community lending roundtables involving lenders and community development representatives from our members to discuss opportunities and challenges to community-based lending	This goal was revised to focus primarily on the strategic partnerships initiative, which involved building relationships with key stakeholders who advocate for the Bank's community investment products with their constituents, which often include member financial institutions. For 2016, 10 opportunities were identified to partner with key organizations in the housing and community development field, including PCRG, WVHDF, Pennsylvania Housing Alliance, HUD, Pittsburgh URA, Allegheny County RDA, DSHA and PAHRA. In addition to these partnerships, the Bank also presented one traditional member education event in 2016: A workshop focused on small business lending for members in underserved market areas. The workshop provided small business resource information from the SBA, USDA, ARC and the State of Pennsylvania. Eleven different members attended the small business workshop.	Covered under the "Technical assistance and education" and "Build strategic partnerships" goals

Goal Title	2016 Goal	2016 Performance	2017 Goal
2. Build strategic partnerships and address priority housing and community development needs			
a. Blueprint Communities	Continue to support the efforts of the existing Blueprint Communities in Delaware, Pennsylvania and West Virginia, and implement training in Delaware for a new group of communities	<p>Partnered with the Pennsylvania Downtown Center to provide technical assistance to six communities in Pennsylvania and four communities in West Virginia</p> <p>Partnered with University of Delaware to kick off training for four new Delaware communities</p> <p>Awarded \$20,000 in mini-grants to West Virginia Blueprint Communities for building renovations and start-up business grants</p> <p>Awarded \$30,000 in mini-grants to Pennsylvania Blueprint Communities for conferences, public art, survey for water access point, green space and staffing</p> <p>The May 2016 Affordable Housing Advisory Council meeting included a tour of two Delaware Blueprint Communities to highlight their achievements</p> <p>Determined evaluation methodology for Blueprint Communities</p> <p>Recertified four West Virginia communities</p> <p>Provided \$15,000 in scholarships to West Virginia, Pennsylvania and Delaware communities to attend various conferences and trainings</p>	Continue to support the efforts of the existing Blueprint Communities in Delaware, Pennsylvania and West Virginia
b. Expand access to intermediary lenders	Enhance relationships with intermediaries, and continue to explore membership opportunities with targeted community development financial institutions (CDFIs) in the district	The Bank worked with The Reinvestment Fund (TRF) and the Community First Fund, CDFI members, to familiarize them with the community investment products. TRF sponsored an AHP project in 2016 and Community First Fund has submitted several small businesses for BOB assistance	Enhance relationships with housing finance agencies, CDFIs and other intermediary lenders
c. Facilitate partnerships	Facilitate the creation of partnerships with member banks, funding sources and other stakeholders to address critical affordable housing and community development needs	<p>Increased the involvement of both members and non-member stakeholders in AHP and FFD</p> <p>Received 164 applications for the 2016 competitive AHP funding round, a record for a single funding round</p> <p>47 members reserved funds for 1,612 first-time homebuyers for FFD; 46 members participated in 2015</p>	Build strategic partnerships by enhancing and creating relationships with members, members' regulators and other stakeholders
d. Address priority needs	Continue to use the Housing Needs Assessment supplemented by current research/data to guide policy and product-related decisions, and increase the percentage of Bank funding for priority needs	<p>In 2015-16, achieved three of five goals in the AHP outcomes framework. Goal measurement covers 2015-17.</p> <p>Priority Housing Needs Increased the percentage of subsidy approved for rental housing for:</p> <ul style="list-style-type: none"> • Special needs from 40% to 45% (goal 45%) • Homeless from 25% to 29% (goal 30%) • Extremely-low income from 26% to 31% (goal 31%) <p>Member Engagement Increased the percentage of projects approved that involve member financial participation from 42% to 85% (goal 50%)</p> <p>Community Impact Increased the average score in the community stability category for approved projects from 9.89 to 11.28 points (goal 14 points)</p>	Continue to use the housing needs assessment supplemented by current research/data to guide policy and product-related decisions, and increase the percentage of Bank funding for priority needs

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