

2018 COMMUNITY LENDING PLAN

I. Introduction

The Community Investment Cash Advance (CICA) regulations require each Federal Home Loan Bank to establish a Community Lending Plan. This plan, to be adopted on an annual basis, shall be approved by the Bank's Board of Directors and address the following areas:

1. The Bank's market research within the District;
2. How the Bank will address the unmet credit needs identified within the District; and,
3. How the Bank will establish quantitative community lending performance goals.

II. Market Study and Needs Analysis

The Bank engaged the National Low Income Housing Coalition to conduct the 2017 community housing needs assessment for the Ninth District. The Bank will continue to meet with its Advisory Council, community groups, small business development organizations, state housing agencies and Bank members on a regular basis to discuss District needs. In addition, the Bank continues to enhance its marketing and educational activities for both housing and economic development initiatives.

III. Market Research Analysis Results

Unmet or underutilized opportunities identified by the National Low Income Housing Coalition in a community housing and economic development needs assessment for the Ninth District, commissioned by the Bank in 2017, include:

Housing

- **Expand public and private funding for affordable housing and create new sources of financing.** Public subsidies for affordable housing are limited across the District. Federal subsidies, including HOME, CDBG, Housing Choice Vouchers, and the Low Income Housing Tax Credit (LIHTC) are insufficient. State resources are limited and local resources are often nonexistent.
- **Provide deeply affordable and accessible housing for the lowest income households.** ELI and VLI households face the greatest shortage of affordable rental housing relative to other income groups. Households with special needs like ELI households with a disability and those experiencing homelessness have especially acute housing needs for affordable and accessible housing.
- **Increase financial assistance for home repairs and accessibility modifications, especially for low income seniors in rural areas.** The physical deterioration of homes is a challenge in rural areas, while financial assistance for home repair appears to be scarce for low income homeowners. The senior population is growing across the District, increasing the need for home repair assistance and home modifications to make homes accessible for occupants with mobility impairments, allowing seniors to age in place.
- **Increase funding for homeownership counseling and down payment assistance.** Many interviewees identified poor credit and lack of savings for down payments and closing costs as barriers to homeownership.
- **Preserve affordable housing, particularly in rural areas and gentrifying neighborhoods where low income residents are threatened by displacement.** Many properties with U.S.

Department of Agriculture (USDA) subsidies are set to lose their affordability restrictions in the coming years, resulting in the need for resources to preserve this supply of affordable housing. In urban areas, the preservation of affordable rental housing in gentrifying neighborhoods can help prevent displacement and allow low income residents to remain in their communities.

Economic Development

- **Ensure continued coordination of workforce development efforts with emerging employment trends.** Vocational training opportunities should be geared towards living-wage occupations in growing industries such as health care, education, and professional, scientific, and technical services.
- **Expand support for small business development, particularly in rural areas.** Rural communities have difficulty competing with urban areas in attracting higher-wage and larger companies. As an alternative, small business development offers rural communities the opportunity to build wealth and increase employment from within the community. A number of interviewees cited a need to increase resources for small business development in rural areas.
- **Improve access to mainstream financial institutions in low income and rural communities.** Limited access to services offered by mainstream financial institutions, such as bank accounts and loans, is a significant barrier to small business development and homeownership in many of the District's low income and rural communities.
- **Pair workforce development programs with material assistance, such as income support and subsidized childcare, for low income participants.** Workforce development efforts focused on skills building can neglect the material needs of low income people. Without supports like welfare and subsidized childcare, low income people often find it difficult or impossible to engage in skills-building activities that enable them to transition to more gainful employment.

IV. Technical Assistance

The Bank provides extensive technical assistance for program users through workshops conducted around the Ninth District, and on a daily basis through telephone and electronic communications. Specific activities include the following:

1. **Members Regional Workshops:** In the beginning of 2017, FHLB Dallas conducted 7 training workshops. These workshops were held in the following locations:
 - a. Dallas, TX
 - b. Houston, TX
 - c. New Orleans, LA
 - d. Little Rock, AR
 - e. Albuquerque, NM
 - f. Las Cruces, NM
 - g. Ridgeland (Jackson), MS

The Bank expects to conduct workshops during the first quarter of 2018.

2. **Banking Conferences:** Also during 2017, the Bank staff participated in and attended regional banking conferences. Below is a partial list of conferences attended:
 - a. Arkansas Bankers Association Annual Convention
 - b. Louisiana Bankers Association Annual Convention
 - c. New Mexico Bankers Association Annual Convention
 - d. Mississippi Bankers Association Annual Convention

- e. Texas Banker Association Annual Convention
 - f. Independent Bankers Association of Texas Annual Convention
 - g. Louisiana Bankers Association Executive Management Conference
 - h. Independent Community Bankers Association of New Mexico Annual Convention
 - i. Arkansas Bankers Association Bank Management Conference
 - j. Interagency Bankers Roundtables in Dallas, TX and Tuskegee, AL
3. **Housing Conferences:** Also during 2017, the Bank staff participated in and attended housing conferences to not only provide information about the Bank's community investment programs, but also to stay informed of housing issues. Below is a partial list of conferences attended:
- a. National Housing Conference Annual Policy Symposium
 - b. Texas Association of Community Development Corp. (TACDC) Annual Conference
 - c. Texas Habitat for Humanity Housing Summit
 - d. Texas (TAAHP) Housing Conference
 - e. Mississippi Affordable Housing Conference
 - f. Mississippi Association of Affordable Housing Providers (MAAHP) Annual Housing Summit
 - g. Louisiana Association of Affordable Housing Providers (LAAHP) Annual Conference
 - h. New Mexico Apartment Conference
 - i. DFW Interagency Affordable Housing Forum

The Bank expects to participate in the same or similar banking and housing conferences during 2018. New Mexico holds its' statewide housing conference every two years. The next one will be held in 2018.

4. **Technical Assistance:** The Bank staff is available on a daily basis to assist members, nonprofit organizations, local governments, for-profit developers and community groups with assistance for affordable housing and community development projects. The Bank has also introduced the use of webinars to both market our products as well as provide technical assistance.

V. Current Programs

The Bank currently offers the following programs:

- 1. Housing programs:
 - a. Affordable Housing Program (AHP)
 - b. Homebuyer Equity Leveraging Partnership (HELP)
 - c. Community Investment Program (CIP)
 - d. Special Needs Assistance Program (SNAP)
 - e. Housing Assistance for Veterans Program (HAVEN)
- 2. Community development programs:
 - a. Economic Development Program (EDP)
 - b. Economic Development Program^{Plus} (EDP^{Plus})
 - c. Disaster Relief Advances Program
 - d. Partnership Grant Program

VI. Lending Programs

1. CIP provides favorably priced advances to support the financing of housing benefiting families with incomes at or below 115 percent of the area median income.
 - a. CIP Advances can be used to:
 1. Purchase, refinance, construct or rehabilitate individual owner-occupied housing properties that benefit families with incomes at or below 115 percent of the area median income
 2. Purchase, refinance, construct or rehabilitate rental housing or multiple units of owner-occupied housing where at least 51 percent of all families have incomes at or below 115 percent of the area median income
 3. Purchase state housing finance agency bonds or mortgage-backed securities representing pools of loans that could be funded directly with CIP advances
 4. Purchase a participation interest or provide financing to participate in a loan consortium for housing projects
 5. Purchase low-income housing tax credits
 6. Make loans to entities that, in turn, provide funding for eligible housing projects
 7. Fund CIP eligible loans that originated 3 months prior to CIP advance
 - b. Funds are available throughout the year on a non-competitive basis
 - c. CIP advances may not exceed, at the time the advance is approved the lesser of 15 percent of a member's total assets, or \$200 million
 - d. Member must meet the Bank's standard capital stock and collateral requirements
 - e. Term of the CIP advance cannot exceed the term of any permanent financing extended to the borrower

2. EDP assists Bank members with financing projects that lead to job creation or job retention for low- and moderate-income wage earners or provide services to low- and moderate-income families and communities.
 - a. Types of Economic Development Projects:
 1. Commercial, industrial, and manufacturing activities
 2. Social service and other community or public facility projects and activities
 3. Public or private infrastructure projects, such as roads, utilities and sewers
 - b. Funds can be used to:
 1. Fund permanent financing to the borrower for economic development projects
 2. Purchase a participation interest or provide financing to participate in a loan consortium for economic development projects
 3. Make loans to entities that, in turn, make loans for economic development projects
 4. Purchase mortgage revenue bonds or mortgage-backed securities, where all loans financed by the bond or all loans backing the securities meet EDP requirements
 5. Fund EDP eligible loans that originated 3 months prior to EDP advance
 - c. EDP advances may not exceed, at the time the advance is approved the lesser of 15 percent of a member's total assets, or \$200 million
 - d. Members must meet the Bank's standard capital stock and collateral requirements
 - e. Term of the EDP advance cannot exceed the term of the permanent financing extended to the borrower
 - f. Members are required to limit their rate mark-up of the interest rate on loans made using EDP advances to 400 basis points in consideration of the preferential rates received on EDP advances. This limitation is only on those advances used in conjunction with an EDP^{Plus} grant.

VII. New Initiatives

In September 2017, the Bank implemented voluntary disaster relief programs in response to the devastation caused by Hurricane Harvey. The programs will assist in the recovery effort and community investment needs of affected communities in Texas. The programs have separate components. The first grant program is a special disaster grant program designed to provide recovery assistance to members' employees whose homes have been damaged or destroyed. Any grant funds that were not utilized by November 15, 2017 were made available to assist qualified households in the general public in affected communities. The second grant program is designed to assist small businesses with their recovery efforts. The third grant program is designed to support community based organizations involved in the recovery efforts. The advance program is a special disaster relief advance program to provide funding to individuals or organizations whose homes or businesses were damaged or destroyed.

Disaster Rebuilding Assistance Set Aside Program: In response to recent disasters within the District, the Bank may establish and offer the Disaster Rebuilding Assistance Program as an AHP homeownership set-aside program under which the Bank disburses AHP direct subsidy to assist households affected by a disaster event in federally declared disaster areas within the District.

- a. Property must be used as a household's primary residence and be located in an area in the Bank's district designated for Individual Assistance by the Federal Emergency Management Agency (FEMA) within the timeframe set by the Bank.
- b. Reimbursement for repair or replacement work is limited to assistance not already paid for by insurance, federal or state emergency assistance or any other funding sources.
- c. Funds are available on a first come, first served basis not to exceed \$10,000/homeowner.
- d. Households must have a family income of 80% or less of the median income for the area at the time the household is accepted into enrollment.

VIII. Ongoing Initiatives

The Bank continually assesses the needs of its members, and offers new products and services when market research indicates a need.

1. **Homebuyer Equity Leverage Partnership Program Overview:** Developed following research that showed the biggest barrier to homeownership for many prospective first-time buyers in the Ninth District was the challenge to accumulate enough savings for a down payment.
 - a. Funds are available for first-time homebuyers for down payment and/or closing costs. (not to exceed \$8,500 per homebuyer).
 - b. Homebuyers are required to complete a homebuyer education course.
 - c. \$1,000,000 in HELP funds were available in 2017, bringing the total funds committed to this program since inception to \$21.1 million.
2. **EDP^{Plus} Overview:** Developed to help small businesses address the need for working capital, especially for start-ups and those wanting to expand.
 - a. Funds may be used to provide small businesses with working capital for start-up or expansion, and can be used to:
 1. Purchase buildings
 2. Construct buildings
 3. Expand facilities
 4. Purchase machinery and equipment
 5. Pay for closing costs

- b. Funds are allocated to members on a first-come, first-served basis.
 - c. Funds must be used in conjunction with an EDP advance and small business owner equity.
 - d. \$750,000 in EDP^{Plus} funds were made available in 2017, bringing the total funds committed to EDP^{Plus} since program inception to \$15.75 million.
 - e. Members may apply for a maximum of \$80,000 in EDP^{Plus} grants each year, with up to \$20,000 in funding available for any one small business.
 - f. The small business owner must contribute at least 10 percent equity of the EDP advance.
 - g. EDP^{Plus} grant funds may constitute no more than 10 percent of the EDP advance or \$20,000, whichever is less.
3. Partnership Grant Overview: Developed to enhance capacity building for community based organizations involved in affordable housing programs and small business technical assistance providers within the district.
- a. Funds are allocated to members through a lottery system.
 - b. \$300,000 in Partnership Grant funds were made available in 2017.
 - c. Member institution cash contribution of \$500-\$4,000 will be matched at a 3:1 ratio up to a maximum lifetime grant of \$36,000. No in-kind contributions or donations will be matched.
 - d. Eligible community based organizations must have an annual revenue of \$550,000 or less.
4. Disaster Relief Advances Program Overview: Developed to finance any project which assists in the recovery efforts in federally declared disaster areas in the Bank's district. The purpose of the program is to help aid families and individuals whose homes or businesses were damaged or destroyed by natural disasters.
- a. Funds are available for a period designated by the Bank following a federal disaster.
 - b. Funds can be used for residential and commercial properties, community facilities, equipment, inventory and personal property.
 - c. Advances terms range from 3 months to 30 years.
 - d. Disaster Relief advances are priced below the Bank's regular Economic and Community Development Program rates which are already priced at the Bank's cost of funds.
 - e. Income eligibility limits for Advances are expanded to 165% of the area median income.
 - f. Member institutions and their customers that are located in or have branch offices in the federally designated disaster area(s) may borrow under this program.
5. Special Needs Assistance Program Overview: Developed to assist special needs households to rehabilitate a single-family home which is used as the household's primary residence.
- a. Only special needs households are eligible. The household will qualify if at least one household member meets the special needs definition.
 - b. SNAP funds may not exceed \$7,000 per household.
 - c. Households must have a family income of 80% or less of the median income for the area at the time the household is accepted for enrollment by the member in the Bank's set-aside program.
 - d. \$1.5 million in SNAP funds were made available in 2017 bringing the total funds committed to SNAP since its inception to \$13.25 million.
6. Housing Assistance for Veterans Program Overview: Developed to assist households who have an occupant who became disabled as the result of their active military service since

September 11, 2001. Grant recipients must be qualified as physically disabled by the Veteran's Administration, a branch of the U.S. Military, the Federal government or other acceptable source. The program is designed to support necessary home modifications and is open to active duty personnel as well as veterans.

- a. Grant recipients must have received a an Afghanistan Campaign, Iraq Campaign, Global War on Terrorism Expeditionary, Global War on Terrorism Service, Purple Heart or higher award and be qualified as physically disabled by the Veteran's Administration, a branch of the U.S. Military, the Federal government or other acceptable source.
- b. HAVEN funds may not exceed \$7,500 per household.
- c. Households must have a family income of 120% or less of the median income for the area at the time the household is accepted for enrollment by the member in the Bank's program.
- d. If a home is being newly constructed and adapted to meet the needs of the veteran or service member, HAVEN funds may be used to offset construction costs.
- e. \$75,000 in funds were made available in 2017, bringing the total funds committed to HAVEN since program inception to \$400,000.

IX. 2017 Goals

Programs/Actions

Total CIP/EDP Advances Users

2017 Goals

85

X. 2018 Strategies

1. Support members' efforts to rebuild communities damaged by natural disasters and house displaced individuals and families as the need arises.
2. Continue to build and expand business relationships with the state housing finance agencies in the district.
3. Collaborate with the Bank's Corporate Communications, Member Services and Member Sales Departments to highlight community development funded projects, continue to develop greater awareness of the Bank's community development contributions, and expand community development relationships with members, public officials, state housing finance agencies and community leaders.
4. Collaborate with regulatory agencies to conduct workshops/events for our members to educate on how the Bank can help our members meet their Community Reinvestment Act goals.
5. Revise the Bank's voluntary economic development program to address a broader range of small businesses within the District.
6. Continue utilization of CIP and EDP advances and letters of credit by the Bank's membership. The Bank will continue to promote the use of these products with its members including how they can be used to support historically underserved communities as well as communities of opportunity.
7. The 2018 goals will be incorporated into the Community Lending Plan after they are approved by the Board of Directors.