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Mr. Andre D. Galeano
Deputy Director of the Division of FHLB Regulation
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

Dear Mr. Galeano:

As required under 12 CFR 1292.6, please find a copy of the Federal Home Loan Bank of Cincinnati's 2019 Community Lending Plan attached. Should you have any questions, please contact Mr. Damon v. Allen, Senior Vice President & Community Investment Officer, at (513) 852-7518 or allendv@fhlbcin.com.

Regards,

A handwritten signature in blue ink, appearing to read 'A. Howell', is written over a light blue circular watermark.

Andrew S. Howell

ASH/dva

Enclosure

c: Ms. Sandra Thompson, Deputy Director of the Division of Housing Mission and Goals
Ms. Gwen Grogan, Associate Director
Ms. Deatra Perkins, Senior Policy Analyst

2019 Community Lending Plan



Owner:

Housing and Community Investment

Policy Dates:

Original Effective Date: January 1, 2000

Current Effective / Approval Date: January 16, 2019

Last Review Date: January 18, 2018

Required Review Frequency: Annually



Table of Contents

PURPOSE..... 3

SCOPE 3

ROLES & RESPONSIBILITES..... 3

MARKET RESEARCH/ASSESSMENT 3

SUMMARY OF IDENTIFIED NEEDS..... 5

2019 HCI PROGRAMS..... 6

NON-LENDING ACTIVITIES 8

PERFORMANCE GOALS 9



PURPOSE

In accordance with the regulatory requirements of the Federal Housing Finance Agency (the "Finance Agency"), the Housing and Community Investment Department ("HCI") has adopted this Community Lending Plan ("Plan") pursuant to the Community Support Regulation.

SCOPE

This Plan covers HCI and the provision of credit for community lending (economic development) activities and the assessment of the economic development needs and market opportunities occurring within the Fifth District as outlined in 12 C.F.R. Part 1290.

ROLES & RESPONSIBILITIES

This Plan shall be periodically reviewed and updated by HCI and approved by the Board of Directors (the "Board").

Interpretation and administration of this Plan shall be the responsibility of HCI. Specifically, HCI is responsible for maintaining this document, promoting the Federal Home Loan Bank of Cincinnati's (the "FHLB's") HCI programs, reporting to the Finance Agency, and reviewing Community Investment Cash Advance ("CICA") applications.

MARKET RESEARCH/ASSESSMENT

In 2018, the Federal Home Loan Bank of Cincinnati's (the "FHLB") research focused primarily on three activities. First, throughout the year, the FHLB engaged in significant discussions with the Affordable Housing Advisory Council (the "AHAC") Leadership (i.e., Chairs and Vice Chairs) and Community Investment Officers ("CIOs") of all 11 Federal Home Loan Banks (the "FHLBanks"), as well as the Federal Housing Finance Agency (the "FHFA") and the 16 national Bank Presidents' Conference Partners¹, regarding nationwide trends and changes in the affordable housing and their impact on the proposed regulatory changes to the Affordable Housing Program (the "AHP") Regulation. Additionally, the FHLB engaged in significant discussions with NextStep, a Kentucky-based organization addressing the problem of the persistent use of mobile homes, which are considered substandard housing by the FHLB.

¹ This group consists of 16 affordable housing and community development industry organizations formerly referred to as the "National Non-Profits". Examples of these partners include the National Housing Conference, the National Association of Affordable Housing Lenders, etc.



Second, the FHLB, as always, has engaged in significant discussions with its AHAC and the committees thereof. This engagement has occurred during the FHLB's quarterly meetings with the AHAC, as well as meetings between FHLB employees and the AHAC's committees²

Third, the FHLB also relies on its engagement with its affordable housing and community development partners (i.e., Sponsors) and its member financial institutions (i.e., Members), as well as the response (i.e., use) of the FHLB's various programs. For example, based on feedback from both Members and Sponsors, the FHLB realizes that there is an overwhelming need for subsidy to cover the costs of home modifications for very-low income³ special needs and elderly households. This was further evidenced by the overwhelming demand for the FHLB's Carol M. Peterson Housing Fund ("CMPHF") subsidy.

As a result of these discussions and program usage, the FHLB has made the following determinations with regards to affordable housing and community development needs in 2019:

1. In light of significant reductions in federal subsidy, primarily from Department of Housing and Urban Development ("HUD"), there is an increasing need for the subsidy offered via the FHLB's Housing and Community Investment Programs ("HCI Programs"), particularly for development of affordable housing for vulnerable populations such as special needs and elderly households, homeless individuals and households, and Veterans (especially disabled Veterans);
2. Similarly, there is also an increasing demand for supportive services for the aforementioned vulnerable populations, particularly in rural communities (Note: this is not an eligible use of subsidy under any of the FHLB's HCI Programs);
3. There is continued demand for funds for owner-occupied rehabilitation and preservation of existing affordable rental housing;
4. Economic development continues to be an area of import as evidenced by the U.S. Treasury's designation of approximately 12 percent of all census tracts (~8,700 census tracts) as Opportunity Zones;
5. Increased mixed-income and mixed-use properties;
6. Increased demand for affordable housing, particularly for vulnerable and targeted populations;
7. There is a need for general liquidity and capacity building by organizations such as Community Development Financial Institutions ("CDFIs"), Community Housing Development Organizations and smaller (as defined by asset-size and number of employees), non-profit affordable housing providers and community development enterprises.

See the section titled "*Summary of Identified Needs*" below for a more exhaustive list of specific needs.

² Economic Development, Ownership, Rental and Special Needs Committees

³ Households with income at or below 50 percent of the applicable Area Median Income ("AMI")

SUMMARY OF IDENTIFIED NEEDS

The FHLB 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;
2. Downtown development, i.e., façade and improvement loans for commercial properties and financing of upper story housing;
3. Infrastructure improvements and neighborhood revitalization;
4. Pre-development funding sources for commercial and mixed-use real estate development;
5. Childcare/Daycare facilities, freestanding and within affordable housing developments;
6. Real estate financing for newly constructed, affordable owner-occupied and rental housing development, as well as the preservation of existing affordable units;
7. Funds for rehabilitation of existing housing, especially for special needs and elderly households;
8. Subsidy for projects providing supportive services and serving special needs and homeless households;
9. Rural medical and health facilities financing;
10. Transitional housing for persons leaving rehabilitation or other protected environments to assist in reintegrating into society; and,
11. Funds to bring vacant properties back into occupancy, especially those vacant because of foreclosure.

Business Financing Needs

1. Equity investments (venture capital, liquidity, micro-loans) for business startup and expansion, especially in rural and Appalachian communities (Future);
2. Loan guarantee programs and lender consortia (Future);
3. Pre-development funding sources for small business development and expansion purposes;
4. Disadvantaged business development financing, i.e., additional credit resources to provide capital for minority, women-owned, and disadvantaged business formation (Future);
5. Working capital, especially revolving credit from \$500 to \$250,000 for micro and small businesses (Future);



6. Alternative crop financing; and,
7. Expansion of CDFI loan funds.

Specialized Needs

1. Small business and entrepreneurial technical assistance support, i.e., business planning, financial management assistance, business development assistance and marketing, entrepreneurial assessment;
2. Education and technical assistance to members, community financial intermediaries and public and private economic development partnerships and organizations;
3. Mortgage credit and down payment assistance in support of minority homeownership to produce equity buildup for business formation and expansion;
4. Seed capital for non-profit organizations with a community development or community service focus;
5. Funds for infrastructure needs, such as water and sewer lines;
6. Funds for mobile home replacement⁴;
7. Funds for down payment and closing costs assistance for a targeted population, such as honorably discharged veterans and active duty military personnel; and,
8. Funds for housing of transitional age youth.

In response to the needs identified above, the FHLB will continue to provide financing for affordable housing and economic development in the Fifth District. In 2019, the FHLB will begin the process of transitioning to a new Affordable Housing Program (“AHP”) Regulation, as well as, making changes to its Community Investment Program (“CIP”) and Economic Development Program (“EDP”). The FHLB will continue to work with its Advisory Council, and other partners, to address unique affordable housing and economic development needs within the Fifth District, including continuing to respond to disasters and providing financing to low- and moderate- income, special needs and elderly homeowners in need of accessibility modifications.

2019 HCI PROGRAMS

In 2019, the FHLB will continue to offer the following HCI Programs:

Community Investment Program and Economic Development Program

⁴ “Mobile Home” refers to a residential structure manufactured prior to the enactment of the Federal Manufactured Housing and Construction Standards, also known as the HUD Code, on June 15, 1976.



Both the CIP and EDP provide discounted Advances to encourage Members to increase their involvement in housing and economic development projects. In addition to discounted Advances, discounted Letters of Credit (“LOCs”) are also available under both programs.

In 2019, the FHLB will also consider modest amendments to the program to make them more marketable and easier to use. The FHLB also plans on hosting workshops on these two programs throughout the Fifth District in order to increase awareness.

Zero Interest Fund

The FHLB continues to offer the ZIF, a two million dollar revolving loan fund, which provides zero interest, short term loans of up to \$100,000 per project to cover upfront infrastructure costs on residential and economic development projects.

Affordable Housing Program

The AHP is our largest and most impactful initiative with more than \$703 million awarded and more than 88,000 affordable housing units funded⁵. AHP funds can be used to assist with the funding of new construction, acquisition, rehabilitation or any combination thereof for ownership and rental housing serving very low-, low- and moderate-income households. We will continue to offer webinars and workshops, attend outreach events, and participate in panel discussions to promote this program.

Welcome Home Program

The WHP offers grants to fund reasonable down payments and closing costs incurred in conjunction with the acquisition or construction of owner-occupied housing by low- and moderate income homebuyers. It continues to be our most popular program based on Member usage. FHLB will introduce minor changes to the program to continue to encourage homeownership and to increase member participation. Webinars will be offered again and possibly workshops.

Carol M. Peterson Housing Fund

The CMPHF provides grants up to \$7,500 per homeowner to fund accessibility and emergency repairs for low- and moderate-income special needs and elderly homeowners. This voluntary program is so popular that funds are typically fully requested in less than one day. We will continue to promote this program via a webinar.

Disaster Reconstruction Program

The DRP offers grants of up to \$20,000 to homeowners and renters in disaster declared areas to assist with the purchase, construction, or repair of their primary residence. The program will continue to be promoted via a webinar and the FHLB website.

⁵ Figure includes activity under the Welcome Home Program.



NON-LENDING ACTIVITIES

Technical Assistance

The FHLB will continue to provide ongoing 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 FHLB 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. In 2018, the FHLB participated in two public forums to educate communities impacted by natural disasters about our Disaster Reconstruction Program. In addition, the FHLB also participated in a Federal Deposit Insurance Corporation (the "FDIC") roundtable and nationwide webinar focused on access to affordable mortgage credit. The FHLB also joined with other FHLBanks to promote the FHLBanks' community investment and economic development programs at the National Alliance of Community and Economic Development Associations' Annual Conference. In 2019, the FHLB will continue to pursue opportunities to collaborate with the Federal Reserve Board to promote the FHLB's commercial and mortgage lending products.

Research

The FHLB will continue to stay abreast of ongoing research to assess unmet credit needs and market opportunities occurring throughout the Fifth District. The FHLB accomplishes this primarily through publicly available market information, such as the state housing finance agencies' Qualified Allocation Plans, attendance at industry events, informational exchanges with other Federal Home Loan Banks and, of course, engagement with its Advisory Council, and assessing the performance of each of its HCI Programs.

Information Dissemination

The FHLB will continue to utilize its website, www.fhlbcin.com, webinars and workshops to inform members, community organizations, small businesses, and entrepreneurs about pre-development and financing resources, business development opportunities, and other technical assistance resources available through the FHLB. The FHLB will communicate information in FHLB publications about successful programs and projects to encourage participation by members and partners in economic development activities.

Staff Capacity

The FHLB 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 FHLB to develop annual performance goals and measurable achievement standards. The following is a summary of the 2018 goals and performance:

<u>Description</u>	<u>2018 Goal</u>	<u>2018 Results</u>	<u>2019 Goals</u>
Number of CICA Applications <i>(Definition: Number of CIP and EDP Applications submitted to the Bank)</i>	50	27	25
Number of ZIF Applications <i>(Definition: Number of ZIF Applications submitted to the Bank)</i>	15	13	10
Number of distinct Members utilizing CICA or ZIF <i>(Definition: Number of distinct Members that submit a CIP, EDP or ZIF application)</i>	20	17	15
Number of In-Person HCI Educational Sessions <i>(Definition: Number of in-person public meetings in which educational material on one or more of the FHLB's HCI programs are presented. This goal excludes individual FHLB visits to an organization or individual and webinars. Examples include AHP workshops, CICA roundtables, DRP town hall meetings, public forums/panels, etc.)</i>	30	35	35