

2019 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 2018, FHLB Dallas conducted 6 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. Biloxi, MS

The Bank expects to conduct workshops during the first quarter of 2019.

2. **Banking Conferences:** Also, during 2018, 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. Community Development Bankers Association Peer Conference
3. **Housing Conferences:** Also, during 2018, 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 Mortgage Finance Authority Housing Summit

The Bank expects to participate in the same or similar banking and housing conferences during 2019. New Mexico holds its' statewide housing conference every two years. The next one will be held in 2020.

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. Programs for 2019

The Bank 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. Disaster Rebuilding Assistance Program (Disaster)
 - f. Housing Assistance for Veterans Program (HAVEN)
- 2. Community development programs:
 - a. Economic Development Program (EDP)
 - b. Small Business Boost (SBB)
 - 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 January 2019, FHLB Dallas will be introducing a new small business financing program called Small Business Boost (SBB). Small Business Boost (SBB) aids members so that they may provide financing for qualified small business transactions that would not otherwise meet member loan underwriting criteria. SBB funds are disbursed through members to small businesses as SBB loans. Upon approval, the Bank provides SBB recoverable assistance to the member, which then in turn makes the SBB loan to the small business. As small businesses grow and repay the SBB loans to the member, the member will return these funds to the Bank. The Bank may then make these funds available again to help finance future SBB recoverable assistance. This small business funding program is available only through members enrolled in the SBB program. SBB funding will be available on a first come, first served basis for transactions that meet the following guidelines:

1. Borrower must be qualified as a small business based on Small Business Administration standards
2. Member must provide at least 40 percent of total financing
3. The maximum SBB loan amount is \$100,000 or 50 percent of the member loan to the small business, whichever is less
4. At least one job must be created or retained for every \$50,000 in SBB funding
5. Member must demonstrate loan does not meet their underwriting criteria without the SBB funds
6. Businesses may obtain only one SBB loan
7. If deal involves real estate, at least 51 percent of the real estate must be occupied by the small business
8. In transactions involving refinancing, at least 33% of the total business deal must be made up of new money

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 \$10,000 per homebuyer).
 - b. 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.
 - c. Homebuyers are required to complete a homebuyer education course.
 - d. \$2,000,000 in HELP funds were available in 2018.
2. 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 2018.
 - c. Member institution cash contribution of \$500-\$4,000 will be matched at a 3:1 ratio up to a maximum lifetime grant. No in-kind contributions or donations will be matched.

- d. Eligible community-based organizations must have an annual revenue at or below the revenue limit noted in the application instructions.
3. 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.
4. 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. \$2. million in SNAP funds were made available in 2018.
5. 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.
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 be qualified as physically disabled or be identified as a Gold Star Family since September 11, 2001 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 \$10,000 per household.
- c. Households must have a family income of 165% 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 2018.

IX. 2018 Goals

Programs/Actions	2018 Goals
<i>Total CIP/EDP Advances Users</i>	82

X. 2019 Strategies

1. Support members’ efforts to rebuild communities damaged by natural disasters and house displaced individuals and families as the need arises.
2. 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.
3. 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.
4. Continue to build and expand business relationships with the state housing finance agencies in the district.
5. 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.
6. Explore opportunities to create additional voluntary programs that meet district needs.
7. The 2019 goals will be incorporated into the Community Lending Plan after they are approved by the Board of Directors.