

# 2019 COMMUNITY LENDING PLAN

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## I. Community Lending Plan – Federal Regulations

12 CFR 1290.6 obligates each Federal Home Loan Bank to develop an annual Targeted Community Lending Plan (Plan) for approval by its Board of Directors.

12 CFR 1292.6 requires that the Plan be provided to the FHFA on or before January 31.

The purpose of the Plan is to describe how the Federal Home Loan Bank of Des Moines (FHLB Des Moines or Bank) will address the unmet credit needs and market opportunities for targeted community lending in its district. To satisfy requirements, the FHLB Des Moines:

- Conducts market research
- Consults with its Affordable Housing Advisory Council<sup>1</sup> (AHAC or Advisory Council), financial institution members, housing associates, and public and private community and economic development organizations
- Establishes quantitative performance goals

## II. Market Research

The FHLB Des Moines' engages with a broad range of stakeholders to gain insight into its 13-state district's affordable housing, community development, and economic development needs and opportunities.

Our leadership for and participation in local and regional housing, economic development, community development, and lending conferences informs our understanding of the unmet credit needs in our district, and provides important context for how to best structure community investment products to support our members' ability to meet those needs.

In 2018, the Bank focused its market research in four key areas: (a) Native communities' needs and investment opportunities; (b) opportunities for leveraging the Bank's community investment products to support members' community lending; and (c) membership opportunities for Community Development Financial Institutions (CDFIs); (d) and hosting Affordable Housing Roundtable Discussions with local leaders to discuss the future of funding and access to affordable housing.

### Native Communities

- *Advisory Council.* The FHLB Des Moines Advisory Council participated in a full-day tour of the Pine Ridge Indian Reservation in South Dakota, which included several in-depth

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<sup>1</sup> The Advisory Council provides advice to the FHLB Des Moines' board of directors about the unmet credit needs in the Bank's district. There are 15 Advisory Council members, one representing each of the 13 states in the Bank's district and two at-large positions. All Advisory Council members are actively engaged in providing or promoting affordable housing and community lending.

presentations facilitated by Bank members and Native leaders who are actively involved in promoting and implementing successful and culturally-tailored affordable housing and community development real estate developments and other initiatives. In addition to the AHP-assisted project that was visited, the tour included a facilitated discussion about the community's historical and cultural context and the impact of its geography and location on current economic and housing conditions. Panel discussions, led by Native leaders, provided information about new strategies and real estate and economic opportunities that are being pursued. A second full-day included a facilitated training focused on building partnerships with Native-led organizations.

Two representative of the FHLB Des Moines' Board of Directors attended both full-day events, specifically, the chair of the Board's Housing and Community Investment Committee (HCIC) and the vice chair of the Board's Member Committee.

- *Northwest Area Foundation Collaboration.* Through the FHLB Des Moines' collaboration with the Northwest Area Foundation (NWAFF)<sup>2</sup>, the Bank sponsored and attended several conferences and other convenings that explored opportunities for supporting Native CDFIs to finance and provide other support for long-term, culturally-grounded economic development, entrepreneurship, credit extension, and financial education.

For example, the FHLB Des Moines attended the Federal Reserve Bank of Minneapolis Center for Indian Country Development's launch of its tribal leaders' handbook on homeownership, which includes data and best practices for extending credit on Native lands. Together, the FHLB Des Moines and NWAFF:

- Attended the Federal Reserve Bank of Minneapolis Center for Indian Country Development's (CICD's) convening of Native American financial institutions in Polson, Montana. The event represented the first-ever convening of Native American financial institutions, and included a tour of the economic development activities of the Confederated Salish and Kootenai Tribes. Over 100 Native CDFIs, banks, and credit unions attended.
- Sponsored and attended First Nations Oweesta's Native CDFI Capital Access Convening in Pacific Grove, California where Native CDFIs from across the U.S. explained the demand for capital in their markets.

The benefits and impact of investing in Native CDFIs has been featured in [blogs](#) and a [video](#) produced by the NWAFF, both of which feature the FHLB Des Moines' collaboration with the NWAFF.

- *Board of Directors.* The Bank's Board of Directors engaged in discussion with Native leaders.
  - The HCIC hosted the director for the CICD as a guest speaker. The presentation provided information about the economic and demographic trends in Indian Country and an analysis about how those trends translated into lending and partnership opportunities there.

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<sup>2</sup> In 2016, the FHLB Des Moines awarded \$5 million to the NWAFF for the NWAFF to grant to Native CDFIs located in the Bank's district. As of October 31, 2018, \$3.75 million had been disbursed to six Native CDFIs; the remaining \$1.25 will be awarded in 2019. Funds will provide capital to finance economic development lending.

- NWA leadership and the director for First Nations Oweesta will be guest speakers at the Bank's 2018 Annual Joint Meeting of the Advisory Council and Board of Directors.
- *South Dakota Native Homeownership Coalition*. The HCIC chair, an Advisory Council member, and a Bank officer are actively engaged with the South Dakota Native Homeownership Coalition such as by serving on its Executive and Finance committees, and sponsoring and attending local meetings at, among other locations, the Yankton Reservation.

#### Members' Community Lending Needs

The HCIC hosted a member's Community Reinvestment Act (CRA) manager as a guest speaker. The presentation focused on the member's assessment of its market, and a report about how the FHLB Des Moines' community investment products advance its CRA strategy and support community outreach and lending.

#### Prospective CDFI Members

The Bank inventoried and analyzed the potential for prospective CDFI members by researching prospects' mission statements, product offerings and, as available, financial information. This data created a framework for directing targeted outreach efforts to 24 CDFIs that were identified as potentially being able to meet membership requirements, which further led to several in-person meetings with at least four CDFIs to explore their interest in and organization's feasibility for Bank membership.

#### Affordable Housing Roundtable Discussions

The Bank's president and CEO hosted three Affordable Housing Roundtable Discussions with local community leaders, FHLB Des Moines members, policy makers, funders, and other stakeholders to explore future funding and access to affordable housing in the targeted markets of Iowa and Washington. These events explored each state's respective market conditions and opportunities to leverage private and public investment to spur affordable housing development.

### **III. 2019 Targeted Community Lending**

For 2019, the Bank will set a target to increase Community Investment Advances (CIAs) originations by 10% from a baseline set by 2018 CIA originations for the period January 1, 2018, through October 31, 2018.

CIAs are available for terms of one- to 30-years. The maximum outstanding CIA balance per member is limited to \$10 million.

The Bank's president/CEO or designee may waive CIA's member cap for eligible activities located in a Federal disaster area to allow the rebuilding of communities affected by such disasters. The Bank reserves the right to cap the amount of CIA advances to any single member for use in a Federal disaster area. CIA approved for this purpose must be originated within 18 months of the disaster declaration.

#### **IV. Encourage Members to Increase Targeted Community Lending and Affordable Housing Finance**

For 2018, the Bank deployed four key strategies to encourage members to increase their targeted community lending and affordable housing finance: (a) incorporate community investment objectives into the Bank's Strategic Business Plan; (b) conduct a Strengthening Communities Together competition; (c) host AHP technical assistance workshops in targeted markets; and (d) develop marketing materials that feature case studies of Bank members' successful deployment of the Bank's community investment products.

##### 2018 Strategic Business Plan

Among the Strategic Initiatives for the Member Value component of the Bank's 2018 Strategic Business Plan is the following: "Promote Home\$tart<sup>3</sup> to members as a strategic tool to drive business growth and build strong communities." To encourage members' use of the product, for 2018, the Bank:

- Developed marketing materials to educate members about Home\$tart's value and ease of use.
- Originally allocated \$19 million of the 2018 AHP contribution to the down payment products and subsequently increased that allocation to a total of \$24.75 million.
- Increased the amount of total Home\$tart funds that a single member could receive in a year from up to \$250,000 to up to \$350,000 per member. The amount was again increased to up to \$500,000 per member.

As of October 31, 2018, 496 members were participating in one or more of the FHLB Des Moines' down payment products, and 316 members had enrolled at least one prospective homebuyer.

##### Strengthening Communities Together

The FHLB Des Moines sponsors a Strong Communities Award Competition to provide a platform for celebrating our members' community engagement and impact. To participate, members submit an application that features its lending or other support for small business, community development, or economic development activities. Two winners, one representing a rural project and a second representing an urban project, are selected through a public voting process. Each winner receives an award of \$15,000, the purpose of which is to highlight the project's impact on strengthening the vitality of the community in which it is located. A project's competitiveness is subject to the following considerations:

- Impact - The project identified economic development needs of the community and provided a solution.
- Results - The project demonstrated specific economic development benefits to its community.

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<sup>3</sup> For 2018, the FHLB Des Moines offered three products that provide grants for down payment and closing costs assistance: Home\$tart, Home\$tart Plus, and the Native American Homeownership Initiative (NAHI). All three products are funded with a portion of the annual AHP contribution and made available to members on behalf of eligible homebuyers with incomes at or below 80% of the area median, adjusted for family size.

- Collaboration - The project included financial or human contributions from a FHLB Des Moines member.

In 2018, a record number of applications were submitted by 57 members in 11 states and one U.S. Territory. More than 8,000 votes were cast during the public five-day voting period.

Competition winners and their community partners were recognized at the Bank's Annual Leadership Summit. This venue provided an opportunity to showcase successful partnership models and opportunities for all FHLB Des Moines' members to increase their community lending and affordable housing finance lending and outreach.

#### AHP Workshops

In 2018, 179 members and affordable housing providers registered to attend one of five AHP workshops that the FHLB Des Moines hosted in five cities in four states. The locations were strategically selected to provide technical assistance and encourage AHP participation in markets that had not demonstrated a previous year's AHP award rate commensurate with its population, an objective identified by the Bank's Advisory Council as a guiding principle for the AHP.

#### Community Investment Case Studies

The Bank created a [case study](#) to highlight a members' successful pairing of a Confirming Letter of Credit with CIA to keep the borrowing costs low for its customer. This example adds to a catalogue of other case studies such as one that features a [member's strategic use](#) of the Bank's Home\$tart Program.

### **V. 2019 Quantitative Targeted Community Lending Performance Goals**

*Refer to Attachment A for a report of progress to 2018 Performance Goals.*

- Increase 2019 CIA originations from 2018 levels by 10%
- Participate in and/or support 10 community lending conferences and workshops
- Promote the use of Community Financial Institution collateral
- Promote business opportunities with existing and prospective housing associates
- Promote business opportunities with existing and prospective Community Development Financial Institution (CDFI) members

**ATTACHMENT A****Report of Progress to 2018 Performance Goals**

*Information reported as of October 31, 2018.*

- Approve CIA Residential Lending Advances up to \$200 million
  - Approved \$203.4 million in CIA for residential lending
- Approve Commercial Lending Advances up to \$200 million
  - Approved \$297.6 million in CIA for commercial and agricultural lending
- Participate in and/or support 10 community lending conferences and workshops
  - Sponsored, hosted, presented, or attended 22 conferences and workshops focused on providing and promoting affordable housing and community lending.
- Promote the use of Community Financial Institution collateral
  - Developed a tool to help members identify eligible collateral.
- Promote business opportunities with existing and prospective housing associates
  - Met with housing associates in each state in the FHLB Des Moines' 13-state district.
  - Advances averaged \$73 million on a monthly basis to five housing associates.
  - Stand-by bond purchase agreements for \$682 million are held with seven state housing finance agencies.
  - Bond investments of \$1.24 billion are held with 14 state housing finance agencies.
- Promote business opportunities with existing and prospective Community Development Financial Institution (CDFI) members
  - Identified and initiated outreach to 24 prospective CDFI members, three of which are undergoing financial analysis for prospective membership.
  - Two FHLB Des Moines officers have direct relationships in the CDFI community, specifically, one FHLB Des Moines officer is a member of a CDFI board of directors and the other officer is a member of a nonprofit association that includes several directors that lead CDFIs. This level of personal and professional engagement deepens the FHLB Des Moines' understanding of and relationships with the CDFI community.