

# 2020 TARGETED COMMUNITY LENDING PLAN

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## I. Federal Housing Finance Agency (FHFA) 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.

*12 CFR 1291.13(a)(1)* requires the Plan to identify significant affordable housing needs in the Federal Home Loan Bank Des Moines' (FHLB Des Moines or Bank) district that will be addressed through its Affordable Housing Program (AHP), as well as any specific affordable housing needs it plans to address through Targeted Funds, if any, as set forth in the AHP Implementation Plan.

The purpose of the Plan is to describe how the FHLB Des Moines 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.

The Bank references widely accepted industry sources such as but not limited to Harvard University's Joint Center for Housing Studies for quantitative data about affordable housing markets and trends. Our leadership for and participation in local and regional housing, economic development, community development, and lending conferences further 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.

During 2020, the FHLB Des Moines will present its Advisory Council and Board of Directors with market data about the Bank's district, which is being researched by an independent third-party consultant during 2019. Conclusions from this research will be considered by the

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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.

Bank's Advisory Council and Board of Directors as each evaluates the affordable housing needs to be addressed through the recently modernized AHP regulation and its AHP scoring criteria, which will be implemented by the FHLB Des Moines through its 2021 AHP Implementation Plan.

For 2019, the Bank focused its market research in four key areas: (1) Native communities' needs and investment opportunities; (2) opportunities for leveraging the Bank's community investment products to support members' community lending; (3) hosting Affordable Housing Roundtable discussions with local and regional leaders to discuss affordable housing needs and opportunities; and (4) engaging the Advisory Council in an assessment of its priority affordable housing needs.

### Native Communities

- *Northwest Area Foundation Collaboration.* Consistent with the FHLB Des Moines' collaboration with the Northwest Area Foundation (NWAFF)<sup>2</sup>, the Bank sponsored and attended conferences that explored opportunities for securing capital investments to increase capacity for Native Community Development Financial Institutions (CDFIs) to provide financing for culturally-grounded entrepreneurship, economic development, and residential lending, as well as financial education.

For example, the FHLB Des Moines was a presenter at First Nations Oweesta's Annual Capital Convening where Bank staff explained the requirements for and benefits of FHLB membership to Native CDFIs from across the U.S.

- *South Dakota Native Homeownership Coalition.* The FHLB Des Moines' Housing and Community Investment Committee (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 Sustainability Committees, and sponsoring and attending local meetings.

### Members' Community Lending Needs

In Q2 2019, the HCIC engaged in a detailed informational session about the investment incentives provided by Opportunity Zones. This meeting included information about the structure of the incentives, type of development that stands to be stimulated, and potential opportunities for members to leverage the incentives provided by Opportunity Zones for the benefit of targeted community lending.

In Q3 2019, the HCIC engaged in a fulsome discussion about the FHLB Des Moines' targeted community outreach strategy designed to increase member use of the Bank's Community Investment Advances (CIAs). This strategy is summarized in Section IV below.

### Affordable Housing Roundtable Discussions

Throughout 2019, the Bank hosted four Affordable Housing Roundtable discussions with local community leaders, FHLB Des Moines members, policy makers, funders, and other stakeholders. These events explored each state's respective market conditions and

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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. As of October 31, 2019, \$3.892 million had been disbursed to 11 Native CDFIs. Funds will provide capital to finance economic development lending.

opportunities to leverage private and public investment to spur affordable housing development.

#### Priority Housing Needs

In Q2 2019, the Advisory Council completed a survey of priority affordable housing needs for the FHLB Des Moines' district. The results of this survey provided the foundation for a comprehensive discussion about the types of affordable housing projects that would be considered for the Bank's 2021 AHP scoring criteria, which will be included in the Bank's 2021 AHP Implementation Plan.

For the 2020 AHP scoring criteria, priority will continue to be placed on the acquisition, development, or rehabilitation of special needs, farmworker, and Native housing. The 2020 AHP scoring criteria will also emphasize projects that: (a) preserve Federally assisted housing such as that financed by project-based Section 8 rental assistance, HUD 202 and 811, USDA 514, 515, and 516, Federal low income housing tax credits, and public housing authority-owned units; (b) rehabilitate owner-occupied housing units; (c) construct new rental projects with 24 units or less; and (d) construct single-family owner-occupied units. The priority placed on these project types exists in the broader context of the regulatory framework for AHP scoring criteria, which, among other things, encourages projects that also receive donated property, are sponsored by a nonprofit organization, and offer empowerment services.

### **III. 2020 Targeted Community Lending**

For 2020, the Bank set a target for CIA originations of \$500 million.

CIA's 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's 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**

In 2019, the Bank deployed four key strategies to encourage members to increase their targeted community lending and affordable housing finance: (1) incorporate community investment areas of focus into the Bank's Strategic Business Plan (SBP); (2) deploy a targeted marketing campaign to promote CIA's as an attractive product to help finance members' targeted community lending; (3) conduct a Strong Communities Award competition; and (4) showcase community investment products and services at member-focused Bank events.

#### 2019 Strategic Business Plan and CIA Marketing Campaign

The Business Measure for the Community component of the Bank's 2019 – 2023 SBP was represented by a target to increase 2019 CIA activity by 10% or \$50 million, which would result in total 2019 CIA originations of \$550 million.

For the period January 1, 2019 through October 31, 2019, CIA originations totaled \$527 million, which represented 347 advances. During the same period in 2018, originations totaled \$500 million representing 327 advances.

In support of the 2019 CIA goal, the FHLB Des Moines deployed a targeted marketing campaign to promote the Bank's CIAs as an attractive product for members' targeted community lending. Key features of the campaign were:

- Enhance CIA's ease-of-use by creating educational resources such as a flyer that explains the application process and lists the types of CIA-eligible assets, updating the Bank's website to address common questions, and converting the CIA application to a more user friendly format.
- Engage Relationship Managers in CIA promotions while they are meeting one-on-one with members.
- Conduct targeted email campaigns with messages tailored to specific member audiences.

#### Strong Communities Award

The FHLB Des Moines sponsors a Strong Communities Award Competition to provide a platform for celebrating members' community engagement and impact. To participate, a member submits 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 where 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.
- Collaboration - The project included financial or human contributions from a FHLB Des Moines member.

In 2019, a record number of applications were submitted by 55 members in 11 states. Also a record, approximately 12,000 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.

#### Showcase Community Investment at Member-focused Events

The Bank incorporated comprehensive information about Community Investment products into Bank-sponsored events that were targeted to members. Specifically:

- *2019 Mortgage Conference.* Community Investment employees staffed an information booth at the 2019 Mortgage Conference, which was attended by 249 individuals representing 141 FHLB Des Moines member institutions, 112 of which were institutions approved to participate in the Bank's Mortgage Partnership Finance (MPF) product. The Bank's Home\$tart product and the Native American Homeownership Initiative (NAHI)<sup>3</sup> were of particular interest to this audience.
- *2019 Insurance Conference.* Community Investment staff hosted a session that highlighted the member benefits for participating in the AHP. The session included remarks from an AHP housing sponsor that showcased the opportunities for insurance company members to leverage AHP funds to advance their community partnerships and strategic objectives.
- *Hawaii Member Meeting.* Community Investment staff hosted a member workshop in Honolulu to showcase how community investment products may be leveraged to meet community need, build relationships with community leaders, and position their institution as one that brings solutions to affordable housing and community economic development. Technical assistance for using the Bank's community investment products was also provided.
- *2019 Leadership Summit.* In partnership with the FHLB Des Moines' Mortgage Products Group and Member Strategies and Solutions, Community Investment staff presented information to members about how they can leverage the Bank's community investment products to meet community need, build relationships with community leaders, and position their institution as one that brings solutions to affordable housing and community economic development.

## **V. 2020 Quantitative Targeted Community Lending Performance Goals**

*Refer to Attachment A for a report of progress to 2019 Performance Goals.*

- \$500 million in CIA originations
- Participate in and/or support 10 community lending conferences and workshops
- Promote business opportunities with existing and prospective housing associates
- Promote business opportunities with existing and prospective Community Development Financial Institution (CDFI) members

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<sup>3</sup> Home\$tart and NAHI provide grants for down payment and closing. Both 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.

**ATTACHMENT A****Report of Progress to 2019 Performance Goals**

*Information reported as of October 31, 2019.*

- Increase 2019 CIA originations from 2018 levels by 10% or \$50 million for a total 2019 origination amount of \$550 million.
  - During the period January 1, 2019 through October 31, 2019, CIA originations totaled \$527 million, which represented 347 advances.
- Participate in and/or support 10 community lending conferences and workshops
  - The FHLB Des Moines sponsored, hosted, presented, and/or attended 26 conferences and other events focused on providing and promoting affordable housing and community lending.
  - Additionally, at least six Bank staff are actively involved in ongoing efforts to advance affordable housing objectives through participation on boards of directors, trade organizations, and regional initiatives.
- Promote business opportunities with existing and prospective housing associates
  - Met with housing associates in nine states in the FHLB Des Moines' 13-state district.
  - Advances averaged \$100 million on a monthly basis to seven housing associates.
  - Stand-by bond purchase agreements for \$873 million are held with seven state housing finance agencies.
  - Bond investments of \$1.13 billion are held with 13 state housing finance agencies.
- Promote business opportunities with existing and prospective Community Development Financial Institution (CDFI) members
  - The FHLB Des Moines' Relationship Manager and Member Solutions team worked in partnership with a CDFI member to analyze the member's balance sheet and explore liability restructuring options. In the end, the member used a long-term CIA to improve its net interest margin in support of its affordable housing lending.
  - 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.