

**2020 Community Lending Plan**  
**December 2019**



## Executive Summary

The Federal Home Loan Bank of Pittsburgh (Bank) is pleased to provide its 2020 Community Lending Plan (Plan). The Plan provides an outline of the Bank's proposed activities for 2020 that will assist its members in reaching their housing and community development goals for the communities they serve.

The Federal Housing Finance Agency (FHFA) Community Investment Cash Advance (CICA) regulation requires each Federal Home Loan Bank (FHLBank) to complete an assessment of the credit needs and market opportunities for community lending in its district. The regulation also requires each FHLBank to develop an annual plan on or before January 31 of each year. The plan must be approved by the FHLBank's Board of Directors and submitted to the FHFA. While encouraging the FHLBanks to develop new programs and initiatives, the regulation ultimately promotes renewed participation by members in local housing and community development activities.

Within this Plan, the Bank provides a summary of the credit needs and market opportunities identified by the Bank for its district, which includes Delaware, Pennsylvania and West Virginia. The development of the 2020 plan considered a variety of information sources including the Bank's Strategic Plan, 2014 Housing Needs Assessment, and the National Low Income Housing Coalition's Out of Reach report.

The Bank continues to offer our "community dividend" to support affordable housing and community investments, which includes a suite of products and initiatives that provide members the resources needed to expand their lending and investing in affordable housing and community development. These community-related offerings are funded through the Bank's earnings either through a required annual contribution to the Affordable Housing Program (AHP) and the First Front Door (FFD) Program; or voluntary Bank contributions to products such as Banking On Business (BOB), Blueprint Communities<sup>®</sup> and Home4Good. The products and programs offered by the Bank are important to our membership and the communities they serve.

In 2020, the Bank will continue efforts to assist our members and other stakeholders in the district to address the increasing challenges for affordable housing and community development.

## Market Assessment

The Bank's Strategic Plan and Housing Needs Assessment are the primary tools used to evaluate the credit needs and market opportunities in its three-state district. In addition, other secondary data sources and inputs from key stakeholders are employed in order to stay abreast of market changes and opportunities. These other sources include:

- State Consolidated Plans
- National housing studies
- Affordable Housing Advisory Council (Council) consultation
- Engagement of strategic partners

### Strategic Plan

The Strategic Plan starts with the statement of the Bank's mission which is to assure the flow of credit to members to support housing finance and community lending, and provide related services that enhance their businesses and vitalize their communities.

One of the Plan's five strategic objectives is to deliver member value and that objective includes increasing Bank product usage and building strategic relationships. Providing a relevant mix of community investment products that help our members achieve their community investment objectives is an important resource. Developing and maintaining relationships with our strategic partners helps us promote those products to a broader segment of our membership while at the same time addressing underserved markets.

One of the key internal challenges and opportunities identified by the Plan is the exploration of an appropriate level of voluntary community investment related expense and the assessment of options to create new or expand existing (BOB, Blueprint Communities and Home4Good) voluntary products.

### Housing Needs Assessment

In 2014, the Bank engaged The Reinvestment Fund (TRF), a research and policy organization based in Philadelphia, to conduct an analysis of housing needs using key data indicators. TRF subcontracted with Diana T. Myers and Associates Inc. to provide data analysis relative to the housing needs for the homeless and persons with special needs. In addition, Bank staff completed an overview of national housing issues and trends, which provided a foundation for assessing the needs in the Bank's district.

The resulting Housing Needs Assessment report was used by Bank management, the Council and the Board of Directors to establish an outcomes framework, which is discussed later in this Plan, and set housing priorities for the district. These priorities guide decisions for scoring criteria for AHP and the creation of AHP set-asides, such as support for first-time homebuyers under the FFD product. The Bank established the following priorities based on the Housing Needs Assessment, research and national trends:

- **Expanding and preserving affordable rental housing.** The recommendations section of the consultant's report indicated that "there is a persistent and disparate financial stress on renters when compared to owners." The stress is most acute for the following specific populations:
  - Persons with disabilities – having relatively low incomes and the highest housing cost burden
  - Homeless – the number of homeless decreased from 2007-2012, but the need persists for the chronically homeless, veterans and homeless families

- Extremely low income (30 percent of area median income [AMI]) and very low income (50 percent of AMI) – these households have relatively high housing cost burdens
- **Providing improved conditions and/or an opportunity for:**
  - Households living in substandard conditions
  - Renters seeking homeownership
  - Minority households
  - Owners at risk of foreclosure
  - Seniors
- **Other needs identified in the assessment, including housing for:**
  - Rural households
  - Veterans
  - Young adults aging out of foster care
  - People released from prison

The Housing Needs Assessment results and the review of national issues/trend continues to provide a good source of information for staff and members of our Council as they deliberate on issues relating to existing product enhancements and new product development. The Bank will conduct an update to the Housing Needs Assessment in 2020.

### **State Consolidated Plans**

The Consolidated Plans for Delaware, Pennsylvania and West Virginia were reviewed as part of the data-gathering process for the Plan. The Consolidated Plans are a Department of Housing and Urban Development (HUD) requirement intended to assess and prioritize the critical housing and community development needs of each state, provide housing market analysis and summarize the state's methods of distributing federal funds to local governments and organizations.

**Pennsylvania** is in the first year of the 2019-2023 Consolidated Plan. The 2019 Action Plan evaluated past performance, summarized citizen participation, and set forth a plan prioritizing the following housing and community development objectives:

- Improve access to the full spectrum of quality affordable housing for Pennsylvanians, specifically:
  - Increase the supply of affordable housing opportunities through development of new housing units for rental or homeownership opportunities and preserve the long-term affordability of homes through rehabilitation of existing vacant or owner-occupied units
  - Provide direct housing assistance to assist potential buyers to purchase a home, rapidly house those who are homeless or prevent or divert homelessness or provide decent, affordable housing to persons living with HIV/Aids
  - Provide housing services and supports in the form of counseling – homebuyer or rental and case management services to ensure persons are and remain stably housed
- Prevent and arrest the decline of Pennsylvania neighborhoods and promote revitalization
- Develop opportunities to improve the economic environment by creating or retaining business and employment opportunities for low income and diverse Pennsylvanians

- Encourage local and regional planning activity to facilitate understanding of current housing, community development, and resiliency needs and develop a plan for their sustainable future

**Delaware** is in the fifth year of its five-year Consolidated Plan for Housing and Community Development 2015-2019. The following general goals have been derived from the state's annual strategic planning and public participation process and identified in its 2019 Action Plan as the most pressing housing and community development needs:

- Preserve and expand Delaware's stock of affordable rental housing
- Help Delaware families achieve and sustain homeownership by providing homebuyer assistance and rehabilitation assistance for existing homeowners
- Reduce the family and community impact of foreclosure via prevention and recovery programs
- Provide resources for local communities to address community development needs
- Assist in ending homelessness and ensure that those at risk of homelessness have access to affordable, integrated, supportive housing options, including permanent supportive housing

**West Virginia** is in the fourth year of the five-year Consolidated Plan. After completing the planning and public participation process, the 2019 Action Plan establishes three primary goals and lists seven secondary goals:

#### *Primary Goals*

- Provide decent affordable rental housing
- Create economic opportunities
- Create suitable living environments

#### *Secondary goals*

- Increase the supply of affordable rental housing
- Support homeownership opportunities for low to moderate income first-time homebuyers
- Increase affordable, accessible housing opportunities for special needs populations
- Support local efforts to assure that households in a housing crisis are able to obtain and/or maintain housing stability
- Support job creation or retention efforts
- Support local community development efforts to assist low- to moderate-income citizens to achieve an improved quality of life by supporting locally developed strategies to protect, maintain, and expand access to facilities, and services and to revitalize deteriorating downtown and residential neighborhood areas
- Support local government efforts to provide affordable infrastructure systems to strengthen the foundations for economic growth and alleviate conditions that affect environmental quality, public health, or welfare

### **National Housing Studies**

The National Low Income Housing Coalition's (NLIHC) annual report, *Out of Reach*, documents the gap between wages and the cost of rental housing across the United States. The report's "housing wage" is an estimate of the hourly wage a full-time worker must earn to afford a rental home at HUD's fair market rent (FMR) without spending more than 30 percent of his or her income on housing costs.

FMRs provide an estimate of what a family moving today can expect to pay for a modestly priced rental home in a given area. The 2019 findings for Pennsylvania, Delaware and West

Virginia summarized below demonstrate how far out of reach modestly priced housing is for the growing low-wage work force, despite recent wage growth, and for other vulnerable populations across the three states in the district.

State	FMR	Income to Afford FMR	Housing Wage	Minimum Wage	Avg. Renter Wage
Pennsylvania	\$1,006	\$40,250	\$19.35	\$7.25	\$15.31
Delaware	\$1,142	\$45,694	\$21.97	\$8.75	\$17.40
West Virginia	\$742	\$29,691	\$14.27	\$8.75	\$12.06

Households paying more than 30 percent of their income toward housing costs are considered cost burdened, as they may struggle to pay for other necessities such as food, healthcare and transportation. NLIHC's annual housing profiles provide information about the levels of cost burden and the need for affordable housing for each state in the district. These findings are summarized below for the income groups served by the Affordable Housing Program.

State	Cost-Burdened Renter Households			All Renters*
	0-30% AMI	31-50% AMI	51-80% AMI	
Pennsylvania	85%	71%	32%	46%
Delaware	85%	78%	41%	48%
West Virginia	81%	58%	30%	43%

\* Information in the "All" column comes from the 2019 Joint Center for Housing Studies of Harvard University report.

### Affordable Housing Advisory Council Consultation

The Bank's Council has 15 members who represent a cross-section of housing and community development professionals from the Bank's district. The Council's purpose is to advise the Bank's Board and management on housing and community development matters in the district. Council members also assist the Bank in developing an ongoing understanding of specific needs and help build relationships with the community investment stakeholders.

The Council actively participated in the Housing Needs Assessment mentioned previously and worked closely with Bank staff to establish an outcomes framework for the AHP that would measure the progress against three key benchmarks:

- Increase the percentage of subsidy approved for rental housing for persons with special needs, homeless households and households with extremely low income
- Increase the percentage of projects approved that involve member financial participation
- Increase the average score in the Community Stability category for approved projects

Based on the 2019 AHP competitive funding round results, the table below presents the outcomes when measured against the benchmarks established by the outcomes framework.

<b>Outcome</b>	<b>Target 2018-2020</b>	<b>Actual 2018-19</b>
Increase the percentage of subsidy approved for rental housing for: - Special needs - Homeless - Extremely low income	- 46 percent - 35 percent - 32 percent	- 52 percent - 37 percent - 32 percent
Increase the average score in the community stability category for approved projects	14 points	13.1 points
Increase the percentage of projects approved that involved member financial participation	88 percent	90 percent

The Council has formed an Affordable Housing Task Force that works closely with the Bank’s staff throughout the year to consider appropriate changes/clarifications to the Bank’s AHP Implementation Plan which establishes the Bank’s scoring priorities and feasibility standards for the competitive AHP funding round. During 2019, the following AHP related issues were considered by the Council and staff during discussion of the 2020 Implementation Plan:

- Equitable scoring metrics for rental and homeownership projects
- Elimination of retention requirements for owner-occupied rehabilitation projects
- Reliance on other funders for monitoring purposes
- Improving the Bank’s methodology for determining construction cost reasonableness
- Impact categories in Community Stability
- Rehabilitation of existing affordable housing/options to keep people in their homes
- Sustained affordability
- Review the Member Financial Participation (MFP) scoring category

### **Engagement of Strategic Partners**

The Bank engages strategic partners to enhance and sustain external partnerships that result in direct and indirect business opportunities for the Bank with its members and other key stakeholders. As it related to community investment, the Bank enhanced or created new relationships by sponsoring and participating in conferences, article placement, joint event planning and execution, and engaging in policy discussions. The aim is to strengthen partnerships ensuring broad-based member and other key stakeholder use of the Bank’s affordable housing and community development products.

## Voluntary Products

In 2017, a committee of Bank staff spent nearly a year conducting research, meeting with key stakeholder organizations and talking with other funders to determine the most productive use of the additional funding. At the end of 2017, the committee recommended that the funding be focused primarily on contributing to solutions that support individuals and families who are homeless or at-risk of homelessness.

Home4Good, launched in 2018 to meet these needs, is a collaborative product between the Bank and the three state housing finance agencies (HFA) in our District, Delaware State Housing Authority (DSHA), Pennsylvania Housing Finance Agency (PHFA) and West Virginia Housing Development Fund (WVHDF). The product provides grants to address systemic gaps in support and services to help make homelessness rare, brief and non-recurring.

In December 2017, the Board approved an additional \$5 million annual allocation for discretionary funding for three years, 2018-2020, totaling \$15 million. If the Bank's net income before the AHP assessment is less than \$250 million, the amount is set at two percent of the Bank's net income before the AHP assessment.

The Bank is considering a new funding allocation framework that would apply to all voluntary products, including Home4Good.

Home4Good is designed to support projects, programs or activities in the Bank's district that lead to stable housing for individuals and families who are currently homeless or at risk of becoming homeless. To be eligible for consideration, each Home4Good service provider applying for funds must address one of the following goals.

- **Prevention and/or Diversion:** Projects, programs or activities that assist households seeking to avoid homelessness by maintaining their current housing situation, or being diverted to alternative options
- **Innovative Solutions:** Projects, programs or activities that provide innovative solutions that seek to end homelessness
- **Critical Need:** Any project, program or activity serving homeless individuals and families that is determined to be critically needed by the relevant community or CoC entity for the Region/County

## Opportunities

Based on information gathered from the primary and secondary sources outlined above, the Bank identified the following priority opportunities for 2020:

- Expand the use of the Bank's community investment products, increasing member participation. Explore opportunities for more diverse and inclusive participation in the community investment products offered
- Build strategic partnerships by strengthening relationships with multiple stakeholders, coordinating investment of limited resources among funders, developing banking partnerships and convening stakeholders to share best practices and ideas to address significant issues
- Provide education and networking for members that expands their opportunities to support community investment
- Prioritize rehabilitation and preservation, including owner-occupied housing, home modifications for seniors and persons with disabilities, and preservation of existing subsidized units
- Support comprehensive community development by developing community leaders and local capacity and rewarding community and housing developments that are consistent with sound local planning and have the potential for the greatest impact
- Expand the usage of FFD as a resource for expanding homeownership opportunities for first-time homebuyers
- Support economic development by encouraging the creation/expansion of small businesses through access to appropriate capital resources including Banking On Business
- Focus on the most critical housing needs in the district, including extremely low-income households, persons with disabilities, and homeless individuals and families
- Apply lessons learned and implement the Home4Good product in 2020

## 2019 Performance and 2020 Goals

Goal Title	2019 Goal	2019 Performance	2020 Goal
<b>1. Expand the use of the Bank's community lending products and services</b>			
a. Increase the number of members using the Bank's community investment products	Add Home4Good, and increase member uses of community investment products:  Minimum: 202 Target: 210 Maximum: 224	As of Oct. 31, there have been 220 uses of Community Investment products by 124 different members. Products include the Affordable Housing Program (AHP), First Front Door (FFD), Banking On Business (BOB), Home4Good, and the Community Lending Program (CLP).	Increase member uses of community investment products:  Threshold: 209 Target: 218 Maximum: 233
b. Technical assistance and education	Provide technical assistance resources and educational opportunities to both members and key program participants	<p>The Bank held four Community Investment workshops for members during the 1<sup>st</sup> quarter (3 in Pennsylvania and 1 in West Virginia). The workshop's general session included Community Investment product updates and Community Investment Best Practices. 69 participants representing 37 members attended the workshops.</p> <p>Of the 37 different members attending, 25 (67.5%) used at least one Community Investment product in 2019.</p> <p>The Bank organized and recorded informational webinars for the AHP, FFD and BOB products that provided a review of each product and provided instruction on various aspects of the product application process. The webinars were readily accessible on the Bank's public website.</p> <p>Bank staff fielded 150 AHP technical assistance requests in 2019 that included debriefing unsuccessful 2018 applicants and assistance provided to project sponsors during the 2019 funding round.</p> <p>In addition, the Bank continued to offer its member/sponsor matching assistance service and had 14 requests for matching. Matches were made for seven of those requests and four of those matches resulted in an application being submitted.</p>	Provide technical assistance resources and educational opportunities to both members and key program participants
c. Commit AHP funds	Commit all funds available and achieve 40 members using AHP.	In 2019, \$33.9 million was committed to 64 eligible projects, resulting in 1,727 affordable housing units created or preserved. In 2019, 40 different members participated in the AHP.	Commit all funds available and achieve 40 members using AHP.
d. Commit FFD funds	Commit all funds available and achieve 73 members using FFD.	<p>In 2019, \$12.2 million in FFD down payment and closing costs assistance was committed to 2,448 eligible first time homebuyers. Seventy-seven different members received a reservation of FFD funds on behalf of qualified buyers.</p> <p>In 2019, a member limit was instituted for the first time in the program's history. Members were limited to committing 20 percent of the program's funds, which was \$2.4 million. If the round lasted more than four months, the member limit would be lifted and those members who hit that limit could continue to reserve funds. However, the members self-regulated their submission activity and the limit was not reached by any member. The round lasted 14 weeks.</p>	Commit all funds available and achieve 75 members using FFD.
e. Commit CLP funds to specific projects	<p>Increase the number of members using the CLP product.</p> <p>Commit CLP to 50 specific projects.</p>	<p>The Bank has committed \$529 million in 2019 CLP funding to 114 specific projects through October 31, 2019, as compared to \$88.9 million and 50 projects through October 31, 2018.</p> <p>Thirty-three members used CLP in 2019 as of October 31, 2019.</p>	<p>Commit CLP to 50 specific projects.</p> <p>Achieve 34 members using CLP.</p>

f. Commit BOB funds to eligible small businesses	Commit all funds available to eligible small businesses and achieve 28 members using BOB.	In 2019, the Bank has committed \$6.3 million to 31 members supporting 62 small businesses, resulting in 777 jobs created or retained, as compared to \$6.5 million to 28 members supporting 74 small businesses, resulting in 705 jobs created or retained in 2018.	Commit all funds available to eligible small businesses and achieve 31 members using BOB.
<b>2. Build strategic partnerships and address priority housing and community development needs</b>			
a. Blueprint Communities®	<p>Continue to support the efforts of the existing Blueprint Communities in Pennsylvania, West Virginia and Delaware.</p> <p>Launch a new cohort of communities in West Virginia.</p>	<p>Partnered with the West Virginia Community Development Hub (Hub) to select six communities for a new Blueprint Communities cohort in West Virginia. A kick-off ceremony was held in May featuring Senator Capito as keynote speaker and communities attended training sessions throughout 2019.</p> <p>Partnered with the Pennsylvania Downtown Center to administer \$164,000 in anchor organization/capacity building grants for five active Pennsylvania Blueprint Communities and three active Blueprint Communities in West Virginia.</p> <p>Partnered with the University of Delaware to provide technical assistance and administer \$57,644 in mini-grants and capacity building grants for two active Blueprint Communities.</p>	Continue to support the efforts of the existing Blueprint Communities in Pennsylvania, West Virginia and Delaware.
b. Enhance and build strategic partnerships with members and key non-bank stakeholders	Enhance and build strategic partnerships by enhancing and creating relationships with members, members' regulators and other stakeholders.	For 2019, the Bank targeted 18 key community-related strategic partners (i.e. housing and community development funders and professional organizations, member regulators, etc.) and established 22 possible partner "touchpoints". As of October 31 <sup>st</sup> , 2019 the Bank recorded the completion of 20 out of 22 possible strategic partner "touchpoints". Those touchpoints include event sponsorships, speaking engagements, policy discussions, and joint ventures.	Enhance and build strategic partnerships by enhancing and creating relationships with members, members' regulators and other stakeholders.
c. Address priority needs	<p>Continue to use the housing needs assessment supplemented by current research/data to guide policy and product-related decisions, and increase the percentage of Bank funding for priority needs.</p> <p>Implement the second-year offering of the Home4Good product.</p>	<p>In 2018, the Bank launched a new voluntary product called Home4Good that focuses on supporting homeless service providers. In 2019, the Bank committed \$4.8 million in voluntary funding in Delaware, Pennsylvania and West Virginia in partnership with each State's housing finance agency. In total, the Bank received 185 applications requesting \$21.2 million. The Bank and HFAs will award funds to 94 projects.</p> <p>In 2018 and 2019, four of the five AHP outcomes have been met.</p>	<p>Conduct an updated housing needs assessment to guide policy and product-related decisions, and increase the percentage of Bank funding for priority needs.</p> <p>Implement the third-year offering of the Home4Good product and achieve 39 members using the product.</p>

*"Blueprint Communities" is a registered service mark of the Federal Home Loan Bank of Pittsburgh.*