

2021 Targeted Community Lending Plan



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Housing and Community Investment

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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 Targeted Community Lending Plan (the “Plan”) pursuant to the Community Support Regulation as well as Section 1291.13(a)(1) of the amended Affordable Housing Program Regulation.

SCOPE

This Plan covers areas in need of the provision of significant financial resources, including credit for community lending activities, and the assessment of the housing and 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 applications for HCI resources.

MARKET RESEARCH/ASSESSMENT

In 2020, the Federal Home Loan Bank of Cincinnati conducted research on housing and community investment needs through its Affordable Housing Advisory Council (the “AHAC”). FHLB distributed a survey to AHAC members in April and May and received responses in May from 10 of the 13 council members. The survey requested that AHAC members identify the most pressing housing and economic development needs in their areas and provide suggestions as to how FHLB could address those needs. Responses to the survey showed overwhelming support for additional resources for households at the lowest income bracket and households with special needs as well as for resources for housing in general. AHAC members identified seven needs that were previously unrepresented in FHLB’s Plan, all of which now appear as identified needs below. As always, the FHLB continued to engage in significant discussions with its AHAC and the committees thereof in 2020 during quarterly meetings between the FHLB and the AHAC, as well as meetings between FHLB employees and the AHAC’s committees.¹

¹ Economic Development, Ownership, Rental, and Special Needs Committees



FHLB also looked to the most recent housing needs assessments published by the state housing finance agencies of the Fifth District for information on pressing housing needs. The Kentucky Housing Corporation (“KHC”) identified densely populated counties and minority households as the areas with the greatest demand for housing resources, particularly for multi-family rental housing. This organization also noted that only 18 of the state’s 120 counties offer transitional housing for homeless individuals, suggesting that transitional housing is an additional need in that state.

The Ohio Housing Finance Agency (“OHFA”) produced a housing needs assessment in 2020 that echoed the AHAC’s comments with regard to extremely low-income households, noting that all 88 counties in Ohio have a shortage of rental housing for this group, and only 14 counties are meeting more than half of local need for extremely low-income renters. OHFA came to the same conclusion as KHC with regard to minority households, who are more likely to experience severe housing burden than their white counterparts. OHFA also observed a 20% increase in households utilizing services for the homeless over a five-year period, including an increase in these services by older adults. Based on OHFA research, Ohio has seen some positive recovery in homeownership since the recession of 2008 and 2009, but vacancy rates are at or near their lowest levels on record, indicating a very tight housing market, which could contribute to increased housing and construction costs within the state.

The housing needs assessment in the 2020-2024 State of Tennessee Consolidated Plan identifies seniors; persons with physical, developmental, and mental health disabilities; victims of domestic violence; youth aging out of foster care; ex-offenders reentering society; veterans; and persons living with HIV/AIDS as the most at-risk populations in the state for experiencing housing cost burden. That document cites supportive services as critical for these populations to remain safe, independent, healthy, and stable, and also indicates a need for public services such as housing counseling, job training, fair housing education and outreach, and infrastructure improvements in low- and moderate-income communities. Like Ohio, Tennessee identified a number of households with severe cost burden, as well as many experiencing overcrowding and/or a lack of complete kitchen or plumbing facilities.

Also in 2020, Damon Allen, Senior Vice President – Housing & Community Investment Officer, completed his Capstone project in conjunction with his participation in Stonier School of Banking. The paper, titled *Mobile Home Replacement & the Affordable Housing Program*, focused on the reliance on mobile homes by residents of the Fifth District. In his research, Mr. Allen discovered that almost 650,000 households in the Fifth District either rent or own a mobile home, which are considered among the worst housing stock in the United States. He noted that for the majority of these households, utilities alone consume more than 50 percent of their incomes, and a mobile home is more likely to be owned or rented by a low-income or extremely low-income household. For this reason and others, the paper concluded that there is a need to replace mobile homes and that the Affordable Housing Program (“the AHP”) can be an effective resource to assist households to transition from mobile homes to manufactured, modular, and site-built homes.



Finally, the FHLB also continues to rely 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, there continues to be overwhelming demand for the FHLB’s Carol M. Peterson Housing Fund (“CMPHF”), which is an indicator of the continued need for subsidy for rehabilitation of homes owned by low- and moderate-income households, particularly those occupied by households with special needs and/or elderly individuals. Staff of the FHLB also continue to engage with the FHLB’s partners through participation in affordable housing panels and conferences.

As a result of the aforementioned, the FHLB has made the following determinations with regards to affordable housing and community development needs in 2021:

1. 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 extremely low-income households and vulnerable populations such as those with special needs, elderly households, homeless individuals and households, and Veterans (especially disabled Veterans);
2. Per the AHAC, there is also an increasing demand for supportive services for the aforementioned vulnerable populations (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. Studies show a need for additional resources in urban areas, though rural housing developers cite a need in their areas of operation, too;
6. 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;
7. There is a significant need for programs and subsidy to target mobile home replacement, a need which may be met through replacement with manufactured, modular, and site-built housing; and,
8. There may be a need in the near future for the FHLB to modify its programs to address disparities in housing cost burden for minority households.

See the section titled “*Summary of Identified Needs*” below for a more exhaustive list of specific needs, including the new needs that the AHAC identified that were not previously included in this document, which are underlined below. HCI plans to reassess scoring for the AHP later in 2020 and into 2021 to determine whether or not that program can be used to address these needs.

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. Infrastructure improvements and neighborhood revitalization;
3. Pre-development funding sources for commercial and mixed-use real estate development;
4. Childcare/daycare facilities, freestanding and within affordable housing developments;
5. Real estate financing for newly constructed, affordable owner-occupied and rental housing development, as well as the preservation of existing affordable units;
6. Funds for rehabilitation of existing housing, especially for special needs and elderly households;
7. Subsidy for projects providing supportive services and serving special needs and homeless households;
8. Rural medical and health facilities financing;
9. Transitional housing for persons leaving rehabilitation or other protected environments to assist in reintegrating into society;
10. Funds to bring vacant properties back into occupancy, especially those vacant because of foreclosure;
11. Financing for affordable family housing in quality school districts;
12. Funding to increase the supply of homes at entry-level price points;
13. Housing for extremely low-income populations;
14. Housing in urban areas; and,
15. Workforce housing.

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;
7. Expansion of CDFI loan funds; and,
8. Continued short-term funding for small businesses in light of the ongoing COVID-19 pandemic.²

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 replacement;³
7. Funds for down payment and closing costs assistance for a targeted population, such as honorably discharged veterans and active duty military personnel;
8. Funds for housing of transitional age youth;
9. Strategies to revitalize communities within high crime ZIP codes; and,
10. Foreclosure mitigation and counseling.

In response to the needs identified above, the FHLB will continue to provide financing for its affordable housing and economic development programs.

² In response to the COVID-19 pandemic, the FHLB offered a zero-interest, six-month fixed rate Advance product called the RISE program that provided short-term liquidity to FHLB Member financial institutions and the small businesses they support. Additionally, the FHLB also made temporary amendments to its Community Investment Program and Economic Development Program to assist Members in their response to the pandemic.

³ "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.



2021 HCI PROGRAMS

In 2021, the FHLB will continue to offer the following HCI programs:

Community Investment Program and Economic Development Program

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.

The FHLB will continue to discuss these programs at AHP workshops, state housing agency conferences, etc., 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 \$762 million awarded and nearly 96,000 affordable housing units funded.⁴ AHP offers grants up to \$1 million per project to assist with the funding of new construction, acquisition, rehabilitation, or a 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 up to \$7,500 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.

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

⁴ Figures include activity under the Welcome Home Program as of July 31, 2020.



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.

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 for 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 2020, the FHLB offered numerous training opportunities despite limitations on in-person gatherings required by the COVID-19 pandemic.

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' Housing Needs Assessments, attendance at industry events, informational exchanges with other Federal Home Loan Banks and, of course, engagement with its AHAC. The FHLB will also continue to assess 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.



PERFORMANCE GOALS

The CICA regulation requires the FHLB to develop annual performance goals and measurable achievement standards. The following is a summary of the 2020 goals and performance as of July 31, 2020, independent of the activity related to the RISE program that FHLB created and implemented in 2020⁵ in response to the COVID-19 pandemic but which is unlikely to be extended into 2021:

<u>Description</u>	<u>2020 Goal</u>	<u>2020 Progress</u>	<u>2021 Goals</u>
Number of CICA Applications <i>(Definition: Number of CIP and EDP Applications submitted to the Bank)</i>	30	24 ⁶	30
Number of ZIF Applications <i>(Definition: Number of ZIF Applications submitted to the Bank)</i>	10	6	10
Number of distinct Members utilizing CICA or ZIF <i>(Definition: Number of distinct Members that submit a CIP, EDP, or ZIF application)</i>	15	13 ⁷	15
Number of HCI Outreach Events <i>(Definition: Number of 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. Examples include AHP workshops, CICA roundtables, DRP town hall meetings, public forums/panels, etc.)⁸</i>	35	16	30

⁵ The FHLB received 64 applications associated with the RISE program as of July 31, 2020.

⁶ Additionally, as of July 31, 2020, FHLB received four COVID-19-related CICA applications that are not reflected in the figures above.

⁷ The number of unique Members utilizing the RISE program as of July 31, 2020, was 53, not inclusive of Members who also utilized the CICA or ZIF programs.

⁸ Note that the FHLB has broadened the definition in this Plan to align it with other Bank goals, and the 2020 Results for the Number of HCI Outreach Events make use of the expanded definition.