

2022 Targeted Community Lending Plan



Owner:

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 2021, the Federal Home Loan Bank of Cincinnati conducted research on housing and community investment needs through its Affordable Housing Program (AHP) workshops, during which FHLB surveyed the attendees for information about the most pressing needs in their areas. Responses from attendees showed overwhelming support for additional resources for households at the lower income brackets and households with special needs as well as a concern about affordable housing supply in a rising cost environment and housing for families. As a result of this survey, FHLB has added two needs that were previously unrepresented in FHLB’s Plan, both of which now appear as identified needs below. FHLB continues to rely on these and other types of engagements with its affordable housing and community development partners (i.e., Sponsors) and its member financial institutions (i.e., Members) to ascertain needs within the Fifth District.



As always, the FHLB engaged in significant discussions with its AHAC and the committees thereof in 2021 during quarterly meetings between the FHLB and the AHAC, as well as meetings between FHLB employees and the AHAC's committees.¹

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's ("KHC's") Consolidated Plan affirmed what FHLB has consistently seen in that, "Overarching housing needs that remain constant over time are [for] persons with special needs, ... households in the lowest income categories, ... and there remains a severe shortage of affordable, decent housing." As a result, KHC seeks to create new affordable housing, incentivize partnerships with agencies that will provide services to households with special needs, and improve the existing housing stock, particularly because the utility and upkeep expenses for the latter create additional affordability issues for tenants and owners.

The Ohio Housing Finance Agency ("OHFA") produced a housing needs assessment in 2021 that echoed the AHP workshop attendees' concerns about increasing costs and the lack of affordable housing supply, adding that increasingly low vacancy rates in existing housing are contributing to the problem, as is housing stock growth that has not kept up with demand. OHFA identified two segments of the population who are disproportionately likely to experience housing cost burden: seniors and minority households, the latter of whom are also still more likely to be denied mortgages than their white counterparts. OHFA also observed that both of these populations are increasingly at risk of homelessness, which has increased 30% in Ohio since 2012.

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 and Kentucky, 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.

Finally, FHLB looked to some publications addressing housing on a national level to assess market needs. Both Harvard University's ("Harvard's") Joint Center for Housing Studies and the National Low Income Housing Coalition ("NLIHC") focused on the impact that the COVID pandemic has had on the housing market. Harvard's "The State of the Nation's Housing 2021" suggested that the pandemic created hesitancy to sell homes that contributed to the vacancy issues mentioned above, while demand rose due to record-low interest rates and a desire from households to socially distance themselves as much as possible while creating space within the home to work there. This led to home price gains and rent increases that continue to outpace

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



income growth. Harvard also noted that homelessness increased nationwide over the course of the pandemic, while NLIHC’s publication entitled “Out of Reach 2020” pointed out that the pandemic was particularly hard for the homeless, who have limited ability to distance themselves from others in a shelter or other congregate housing. NLIHC noted that minority households make up more of the homeless and overcrowded population than the percentage of the population they represent, while Harvard pointed out that the black-white homeownership gap remains large, even when controlling for income, and recommends downpayment assistance programs for minorities to reduce the gap. As a result of the aforementioned, the FHLB has made the following determinations with regards to affordable housing and community development needs in 2022:

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 low- and 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. 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. 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;
6. 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,
7. 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 AHP workshop attendees identified that were not previously included in this document, which are underlined below. HCI plans to reassess scoring for the AHP later in 2021 and into 2022 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 and includes in parentheses the program or programs FHLB uses to support solutions to these needs, if any:

Real Estate Financing Needs

1. Fixed rate financing at low-interest or guaranteed rates for construction and permanent financing (regular FHLB advances, CIP, EDP, ZIF);
2. Infrastructure improvements and neighborhood revitalization (ZIF, DRP);
3. Pre-development funding sources for commercial and mixed-use real estate development (ZIF);
4. Childcare/daycare facilities, freestanding and within affordable housing developments (CIP, EDP, ZIF);
5. Real estate financing for newly constructed, affordable owner-occupied and rental housing development, as well as the preservation of existing affordable units (AHP, WHP, CIP, EDP, ZIF, CMPHF, DRP);
6. Funds for rehabilitation of existing housing, especially for special needs and elderly households (AHP, ZIF, CMPHF, DRP);
7. Subsidy for projects providing supportive services and serving special needs and homeless households (AHP, ZIF, CMPHF, DRP);
8. Rural medical and health facilities financing (CIP, EDP, ZIF);
9. Transitional housing for persons leaving rehabilitation or other protected environments to assist in reintegrating into society (AHP, ZIF);
10. Funds to bring vacant properties back into occupancy, especially those vacant because of foreclosure (AHP, ZIF, DRP);
11. Financing for affordable family housing in quality school districts (AHP, WHP, CIP, ZIF, CMPHF, DRP);
12. Funding to increase the supply of homes at entry-level price points (AHP, ZIF, DRP);
13. Housing for extremely low-income populations (AHP, ZIF, CMPHF, DRP);
14. Housing in urban areas (AHP, WHP, CIP, EDP, ZIF, CMPHF, DRP);
15. Housing for families (AHP, WHP, CIP, ZIF, CMPHF, DRP);
16. Assistance with rising costs of construction materials and labor (AHP, CMPHF); and,
17. Workforce housing (AHP, ZIF, CMPHF, DRP).



Business Financing Needs

1. Equity investments (venture capital, liquidity, micro-loans) for business startup and expansion, especially in rural and Appalachian communities (Not Currently Addressed);
2. Loan guarantee programs and lender consortia (FHLB letters of credit);
3. Pre-development funding sources for small business development and expansion purposes (ZIF);
4. Disadvantaged business development financing, i.e., additional credit resources to provide capital for minority, women-owned, and disadvantaged business formation (Not Currently Addressed);
5. Working capital, especially revolving credit from \$500 to \$250,000 for micro and small businesses (ZIF);
6. Alternative crop financing (CIP, EDP, ZIF); and,
7. Expansion of CDFI loan funds (Not Currently Addressed).

Specialized Needs

1. Small business and entrepreneurial technical assistance support, i.e., business planning, financial management assistance, business development assistance and marketing, entrepreneurial assessment (FHLB conferences and trainings);
2. Education and technical assistance to members, community financial intermediaries and public and private economic development partnerships and organizations (FHLB conferences and trainings);
3. Mortgage credit and down payment assistance in support of minority homeownership;
4. Produce equity buildup for business formation and expansion for minority-owned businesses (Not Currently Addressed);
5. Seed capital for non-profit organizations with a community development or community service focus (ZIF);
6. Funds for infrastructure needs, such as water and sewer lines (ZIF);
7. Funds for mobile home replacement (Future);²
8. Funds for down payment and closing costs assistance for a targeted population, such as honorably discharged veterans and active duty military personnel (WHP);
9. Funds for housing of transitional age youth (AHP);
10. Strategies to revitalize communities within high crime ZIP codes (Not Currently Addressed); and,

² "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.



11. Foreclosure mitigation and counseling (Not Currently Addressed).

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

2022 HCI PROGRAMS

In 2022, 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 \$802 million awarded to more than 100,000 units of affordable housing.³ 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

³ Figures are as of September 30, 2021 and include both the AHP and the Welcome Home Program.



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

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 2021 goals and performance as of September 30, 2021:

<u>Description</u>	<u>2021 Goal</u>	<u>2021 Progress</u>	<u>2022 Goals</u>
Number of CICA Applications <i>(Definition: Number of CIP and EDP Applications submitted to the Bank)</i>	30	8	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	3	5
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, public forums/panels, etc.)</i>	35	30	40