

2024 Targeted Community Lending Plan



Executive Summary

The Federal Home Loan Bank of Pittsburgh (FHLBank) is pleased to provide its 2024 Targeted Community Lending Plan (Plan). The Plan is an outline of our proposed activities for 2024 that will assist our members in reaching their housing and community development goals for the communities they serve.

The Federal Housing Finance Agency (FHFA) Community Support Programs regulation at 12 CFR 1290 requires each Federal Home Loan Bank (FHLBanks) to complete an assessment of the credit needs and market opportunities for community lending in its district. The regulation also requires each Federal Home Loan Bank to develop an annual Plan that:

- i. Reflects market research conducted in each Federal Home Loan Bank's district;
- ii. Describes how FHLBanks will address identified credit needs and market opportunities in each district for targeted community lending;
- iii. Developed in consultation with its Affordable Housing Advisory Council (Council) and with members, housing associates and public and private economic development organizations in each district;
- iv. Establishes quantitative targeted community lending performance goals; and
- v. Identifies and assess significant affordable housing needs in its district that will be addressed through its Affordable Housing Program (AHP)

Further, the Plan must be approved by FHLBank's Council and Board of Directors, published on FHLBank's public website and submitted to the FHFA.

Within this 2024 Plan, FHLBank provides a summary of the credit needs and market opportunities identified for our district (consisting of Delaware, Pennsylvania and West Virginia, herein referred to as "district").

The development of the 2024 Plan relies primarily on a comprehensive report (the Housing Needs Assessment for Delaware, Pennsylvania and West Virginia, herein referred to as the "HNA report"), completed by FHLBank in 2020. The HNA report describes housing challenges and community needs using information from a variety of sources. This includes quantitative data – large databases of national data analyzed for our district – and qualitative data found in existing studies and reports. It also includes community input from an online survey administered in June 2020 and five focus group meetings held from June 29 to July 1, 2020. Throughout the HNA report development, FHLBank consulted with the Council, members, housing associates and public and private housing and economic development organizations in our district.

We believe the findings in the HNA report are still relevant to the current needs in our district. In 2024, FHLBank intends to complete a new needs assessment for its district to reassess the market conditions and needs. The 2024 assessment is expected to be available for use in preparing the 2025 Plan.

The current HNA report shows that in FHLBank's district there are an estimated 1.46 million low-income households experiencing housing challenges, including 677,650 homeowners and 782,197 renters. Of note, it highlights racial equity issues, particularly the significant gap in homeownership rates among Black and Latino households relative to white households, regardless of income or education.

FHLBank continues to offer our "community dividend" to support affordable housing and community investment, 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 FHLBank's earnings either through a required annual contribution to AHP and First Front Door (FFD), or voluntary contributions to products such as Banking

On Business (BOB), Blueprint Communities®, voluntary housing grant initiative and Home4Good. We are required by statute to contribute 10% of the prior years' pre-AHP income to the AHP. FHLBank also offers the Community Lending Program (CLP) that combines the eligibility of the required Community Investment Program and the boarder eligibility under Community Investment Cash Advances regulation. The products offered by FHLBank are important to our membership and the communities they serve.

In 2023, FHLBank's Board of Director's increased the voluntary allocation for community products to 5% of the prior years' pre-AHP income, which is in addition to the statutory 10% requirement. The additional funding supports a suite of voluntary community products, including two recent initiatives, a Voluntary Housing Grant supporting FHLBank's district's affordable housing needs and a targeted small business lending product for minority- and/or women-owned business, the Banking On Business Inclusion and Equity Fund (BOBIE) established as a Special Purpose Credit Program (SPCP).

In 2024, FHLBank will continue efforts to assist our members and other stakeholders in the district to address the increasing challenges for affordable housing and community development identified in our market assessment.

Market Research

FHLBank's HNA involved extensive market research assessing the credit needs and market opportunities in the district. The HNA report provides a comprehensive analysis of the affordable housing and credit needs and opportunities. The HNA report is referenced throughout this Plan and was used to inform our strategy to address the needs and opportunities and to establish performance goals. The findings in the HNA report are still applicable. FHLBank continually assesses market conditions to inform the needs in the Plan.

Access to safe, decent and quality affordable housing remains a challenge for low- to moderate-income individuals and families. Post-pandemic federal funding opportunities are diminishing, yet many of the challenges persist. The lack of new housing supply in affordable ranges coupled by the district's aging housing stock leave buildings dilapidated, undeveloped and vacant with long wait-lists for the limited supply of available housing. Despite our diverse geography throughout the district, these challenges are seen in many communities whether they are rural, urban or suburban.

From an economic development perspective, research indicates that minority- and women- owned businesses continue to face barriers to access capital due to lack of equity or collateral, lower credit scores or length of credit histories. These disparities, largely due to generational income and wealth gaps, make it difficult for minority- and women-owned businesses to start and maintain a business.

The market research completed by FHLBank will help shape and guide our 2024 Community Lending and Affordable Housing goals. Continued member engagement is key to achieving these goals.

Strategic Plan

FHLBank's Strategic Plan starts with our dual mission 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.

"Community impact" is one of four 2024 key strategic themes in FHLBank's Strategic Plan. The objectives of our community focus are:

- Increasing community support and impact
- Optimizing member engagement and partnerships
- Targeting support for underserved people and communities
- Promoting affordable, sustainable, equitable and resilient housing and community investment

The Strategic Plan recognizes that providing a relevant mix of community products that help our members achieve their community investment objectives is an important resource. The goals in this Plan align with our Strategic Plan.

The Strategic Plan includes key strategic implications and strategic responses are included below.

Key Strategic Implications

There are several issues shaping the market for our community products that were identified in the Strategic Plan:

- The most acute needs are people who are experiencing or at risk of experiencing homelessness, extremely low-income households and persons with disabilities
- Significant disparities in housing challenges and homeownership rates exist for Black and Latino households versus White households
- Challenges persist among low-income individuals, low-income communities and Black and Latino households, increasing housing insecurity and socioeconomic issues
- Rising costs and higher interest rates are creating funding gaps, delaying affordable housing development projects and slowing first-time homebuyer activity
- Engaging members in diversity, equity and inclusion initiatives provides an opportunity for them to address a market need, adding value to their FHLBank membership

Strategic Responses

Focus will be on the following priorities:

- Expanding member engagement and partnerships to increase community product use
- Optimizing our existing community products to address identified needs and impact
- Launching a homeownership Special Purpose Credit Program and a new cohort of communities under the Blueprint Communities® initiative
- Completing a district-wide housing needs assessment and exploring ideas to better address needs
- Revamping the technology platform for community products
- Implementing a strategy aimed at enhancing product execution

Consultation with Stakeholders, Affordable Housing Advisory Council

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

The Council actively participated in the HNA report and worked closely with FHLBank management to establish AHP policy, including an outcomes framework, AHP allocation and scoring priorities in our AHP General Fund.

In 2023, in addition to the required quarterly meetings with FHLBank's Board and management, the Council created task forces for AHP; Diversity, Equity and Inclusion (DEI); and Blueprint Communities. The task forces participated in additional sessions to assess the AHP scoring, allocations and subsidy limits; provide input on the DEI-related community initiatives; and support for the launch of a 2024 Blueprint Communities cohort in eastern Pennsylvania.

Engagement of Strategic Partners, Members, Housing Associates and Public/Private Economic Development Organizations

FHLBank engages strategic partners to enhance and sustain external partnerships that result in direct and indirect business opportunities for us and our members. As it relates to community investment, FHLBank enhanced or created new relationships by sponsoring and participating in conferences, developing success stories, 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 FHLBank's affordable housing and community products.

Strategic partners are also an important avenue for disseminating information to broader audiences and stakeholders. FHLBank's communicates our community dividends opportunities, announcements, product timelines and special initiatives with our strategic partners to further collaborate with key stakeholders and to reach a broader audience throughout the district. As of June 30, 2023, FHLBank engaged in significant outreach with nine of our 12 strategic partners.

Engagement activities in 2023 included:

- Keynote speaker at Pennsylvania Human Relations Commission Conference
- Plenary speaker at Pennsylvania's Housing Alliance's first Rural Pennsylvania Housing Summit
- Hosted Delaware affordable housing developers' meetings
- Celebrated BOB's 1,000th funded loan with Vibrant Sunshine in Aspinwall, Pennsylvania
- Partnered with Small Business Administration Pennsylvania and West Virginia to present BOB and BOBIE fund
- Participated in meetings and on leadership committees for Women in Housing Finance Pennsylvania
- Presented the AHP/VHG and Home4Good opportunities to the West Virginia Peer Recovery conference
- Presenter and participant at the West Virginia US Department of Agriculture (USDA) Rural Housing Tour
- Engaged with the USDA's Southern West Virginia Rural Housing Partners Network
- Conducted significant Blueprint Communities® outreach in eastern Pennsylvania
- Keynote speaker at Pennsylvania Realtors Association Conference luncheon
- Interview on WLCH Radio Centro, a Spanish radio station on the topic of Diversity and Inclusion
- Hosted, in partnership with the Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency and Federal Reserve Bank Philadelphia a workshop on Leveraging Community

Reinvestment Act for Inclusive Housing in Delaware

- Participated in multiple celebration ceremonies, including ribbon cuttings and ground breakings throughout the district
- Presented the AHP and Home4Good opportunities to the Kanawha Valley Council on Philanthropy and affordable housing providers in Charleston, West Virginia

Additionally, by June 30, 2023, FHLBank provided 26 external communications to relevant stakeholders, provided \$27,000 in industry-related sponsorships and completed more than 330 outreach calls to member institutions focused on community investment related activity.

Data alone does not convey the full picture of housing and community lending needs. The information may identify the populations and locations with disproportionate needs, but to gain a better understanding of why these issues persist requires input from the housing providers and funders working in the community.

To accomplish this, in 2020 as part of the HNA, FHLBank solicited feedback from its network of organizations working in the affordable housing industry through an online survey and a series of focus groups where industry experts discussed housing and community lending challenges and opportunities within their respective areas.

▪ Survey

In the first half of June 2020, FHLBank sent an invitation to 415 stakeholders to complete an online survey of housing needs. Stakeholders included lending institutions, nonprofit developers, local governments, supportive service providers, advocates and housing experts who have worked with FHLBank in the past and are currently active in affordable housing-related activities within the district. The survey participation rate was high (70%), representing diversity among organization types and locations. The survey results identified key challenges and needs which helped inform the HNA report.

▪ Focus Groups

FHLBank's consulting team facilitated five virtual focus groups around:

- Urban and suburban affordable housing issues
- Rural affordable housing issues
- Housing and supportive services needed for people experiencing homelessness and other vulnerable households
- Equitable housing for minority communities and households
- Affordable housing challenges from the perspective of lending institutions

Participants included industry experts from 44 organizations, including member financial institutions, nonprofit developers, community lenders, advocacy groups, public housing authorities, government housing departments and homeless service providers. Prior to the meeting, participants received preliminary housing needs information and instructions for how to prepare for their focus group. They were asked to think of one critical housing need and one potential solution to share with the larger group to provoke discussion with other participants around this topic.

The focus groups were held virtually using Zoom video conferencing combined with the Mural online meeting facilitation platform. The key takeaways from these focus group meetings are summarized in the Stakeholder Engagement section of the HNA report and throughout the Plan as it pertains to the fundamental housing and community lending challenges.

Market Research Methodology

The HNA report describes housing and community challenges and needs using information from a variety of sources. This includes quantitative data – large databases of national data analyzed for Delaware, Pennsylvania and West Virginia – and qualitative data found in existing studies and reports.

The primary data used for the HNA report comes from the American Community Survey (ACS) 2018 five-year estimates, which captures demographic, housing and economic indicators for all areas of the United States. The study assessed this data for Census Tracts (units of geography totaling 2,500 to 8,000 people), counties, regions and states. The regions were defined using a combination of state agency boundaries and metropolitan statistical area (MSA) boundaries used by the U.S. Census Bureau. The analysis examines HUD data, primarily the Comprehensive Housing Affordability Strategy (CHAS) datasets from 2018 (which uses ACS five-year 2012-2016 data) that identifies housing challenges by tenure, income, race/ethnicity and household type.

Additional datasets used for the HNA report come from the U.S. Bureau of Labor Statistics, U.S. Department of Health and Human Services, the Brookings Institute, ESRI Business Analyst and Zillow.

The HNA also incorporates housing needs as described by state and regional housing plans, reports on homelessness and feedback from FHLBank stakeholders through surveys and focus group discussions. Finally, the HNA report incorporates recent data that tracks the impact of COVID-19 on low-income families and the housing market.

Federal and State Recognized Tribes

According to the U.S. Census Bureau data from 2010, there are 5.2 million people that identify as American Indian or Alaska Native, with 2.9 million identified as solely American Indian and Alaska Native. FHLBank contacted the Native American Studies Program Coordinator at West Virginia University who confirmed that there are no federally recognized tribes in our district. There are two state recognized tribes in Delaware, and no state recognized tribes in Pennsylvania or West Virginia.

For the two tribes in Delaware, the census data noted in the American Community Survey five-year estimate data is outlined the below:

State	Tribe	Total population	Median Household Income	Percent of Families below the Poverty Level
DE	Lenape Indian Tribe of Delaware	782	\$48,862	3.58%
DE	Nanticoke Indian Tribe	10,208	\$73,858	5.1%

The total population in the state of Delaware is 967,679 as of the 2020 census, therefore individuals that identify as American Indian or Alaska Native account for 1.1% of the state’s population. Delaware’s state

median income is \$96,900.

The Lenape Indian Tribe of Delaware is in northern Kent County. The Nanticoke Indian Tribe is mostly located in Sussex County but does have representation in southern Kent County as well.

The Department of Housing and Urban Development (HUD) completed an Assessment of American Indian and Alaska Native Housing Needs. HUD's report noted the following:

The research finds that housing conditions for Native American households are substantially worse than for other U.S. households. More Native Americans live in housing that is overcrowded, lacks complete kitchens and bathrooms, has heating and electrical problems or is structurally unsound than other citizens.

Overcrowding affected 16% of American Indian and Alaska Native households in tribal areas and 10% in urban areas compared with 2% of all U.S. households. The problem of overcrowding overlaps with the doubling-up phenomenon; 17% of households in Indian country had one or more people staying with them only because they had nowhere else to go.

Among American Indian and Alaska Native households in tribal areas, incomplete plumbing and incomplete kitchens were found in 6% and 7% of homes, respectively, compared with less than 2% of all U.S. households.

The research team estimates that 68,000 additional units would be needed to both replace severely inadequate units and eliminate overcrowding in tribal areas.

In 2023, FHLBank expanded outreach, including:

Participating in the National Association of Housing and Redevelopment Officials' national conference discussing indigenous housing needs

Attending West Virginia University's Program for Native American Studies' Fall Forum with the federally recognized Shawnee, Lenape (Delaware) and Cherokee nations and the Haudenosaunee Six Nations Iroquois Confederacy

Reaching out to The Council of Three Rivers American Indian Center, Nanticoke Indian Tribe Delaware and Nanticoke Indian Center to build relationships and ascertain housing needs

In 2024, FHLBank will continue to explore connections and conduct outreach to Native American communities within our district and beyond, including, but not limited to the University of Pennsylvania Native American and Pennsylvania Studies, Native American House Alliance in Philadelphia and Indian University of Pennsylvania's Native American Awareness Council. As we continue to engage with developers, organizations and representatives of the tribes, we will build our understanding of the needs of the Native American people and make the appropriate connection to our members and community products.

Credit Needs, Significant Affordable Housing Needs and Market Opportunities

Informed by the HNA report and input from a variety of stakeholders, the following are the non-housing community needs:

- Address racial equity issues, including wealth and community health disparities
- Increased lending and investment in lower income areas
- Job growth, especially through small businesses
- Community leadership, planning and execution of projects
- Capacity building in organizations supporting lower income communities

FHLBank's research identified that minority- and women-owned businesses do not have equitable access to capital.

Minority- and women-owned businesses are less likely to seek financing from traditional financial institutions, and Black and Hispanic borrowers are more likely to pay higher interest rates on loans. According to a 2021 report by the Federal Reserve Banks (based on a 2020 survey sampling of firms with fewer than 500 employees), 48% of Black-owned firms expect credit availability will be a challenge because of the pandemic, compared to 40% of Hispanic-owned firms, 38% of Asian-owned firms and 30% of white-owned firms.

Significant Affordable Housing Needs

For the last five to 10 years (depending on location), rent and home prices have escalated while construction and land prices have increased. The families and individuals that struggled to afford housing before the pandemic continue to struggle. This includes low-income individuals, people on fixed incomes such as seniors and households with disabilities, rural low-income families and people who are unemployed.

The data available to estimate housing affordability challenges have long indicated significant needs among households earning less than 50% of the area median income (AMI). Based on current rents, there are no communities within the district where renters earning at or below this threshold can afford a standard one-bedroom apartment. In real terms, this means fast food workers, janitors, retail workers, cashiers and daycare workers, among others, cannot afford renting a standard apartment, even working full-time. It also means that low-income persons who are unable to work due to a disability or age, do not receive enough assistance to rent an apartment and must compete for subsidized housing in limited supply. This indicates a greater need for lower rents, even among subsidized units, and a preservation of existing rental stock.

The renters living paycheck to paycheck, along with individuals transitioning from institutions like foster care or the prison system, are at a substantially higher risk of homelessness. According to the homeless service providers consulted for the HNA report, the most effective way to address homelessness is to avoid it happening in the first place. This illustrates how homeless prevention services, including rental assistance, job training, legal services and transitional housing are effective at reducing the rate of homelessness. There, however, are individuals who experience frequent homelessness due to mental illness, disabilities and addiction disorders who require permanent supportive housing combined with wraparound services.

Our district is also home to older housing stock. This includes distressed older homes in historic urban

areas, disinvested small and mid-sized manufacturing towns and rural housing. In the online survey, focus groups and review of state and community housing plans, the need for rehabilitating older housing stock was a common theme, whether these homes were occupied or not.

Some issues that came from the HNA report were not new, but the affordable housing industry is bringing new focus on these matters. This includes the significant gap in homeownership among Black and Latino households, regardless of income or education. Focus group participants in the affordable housing financing session emphasized the need for lenders to become more involved with minority communities to bridge the gap.

The report also emphasizes how the Baby Boomer generation – a very large demographic group – will be entering their senior years over the next decade, and the housing needs of low-income seniors will need to be addressed in a way that acknowledges significant lifestyle changes.

Seniors are living longer, and are more likely to work, take care of their children and grandchildren and have home mortgages compared to past generations. This emphasizes a need for more versatile solutions for low-income seniors, including aging in place programs, access to public transit, legal protection services and family senior housing.

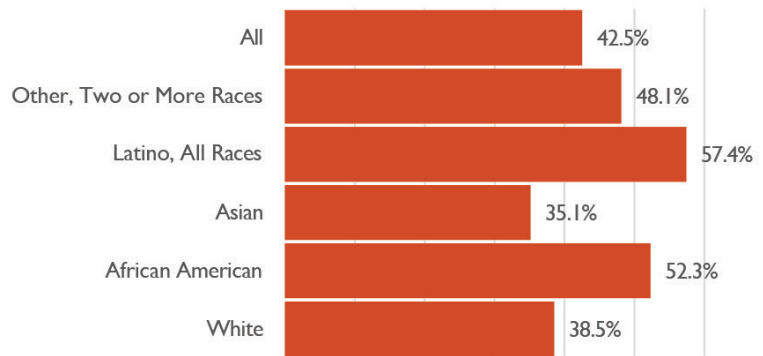
FHLBank established the following priorities based on the HNA report, research and national trends which remain valid:

- Equitable Housing

The HUD CHAS data documents housing challenges (paying more than 30% of income on housing, living in overcrowded conditions and/or living without basic plumbing or kitchen facilities) categorized by tenure (renter and homeowner households), income and race/ethnicity. This report analyzed the most recent data available to document the housing challenges experienced by different races and for the Black and Latino populations throughout the district. Based on this analysis, we see the following:

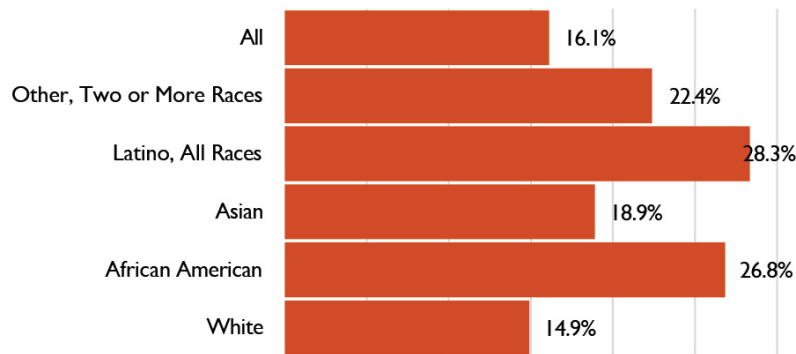
- More than half of low-income Black and Latino renters experience housing challenges, at 52.3% and 57.4%, respectively. This is substantially higher than white (38.5%) or Asian (35.1%) renters.
- Low-income homeowners, in general, are less likely to experience housing challenges than low-income renters. Similarly, there is significant a disparity between Black and Latino homeowners who experience housing challenges (26.8% and 28.3%, respectively) compared to white (14.9%) or Asian (18.9%) homeowners.

Percentage of Low-Income Renters that Experience Housing Challenges in the District



Source: HUD CHAS 2018 using five-year American Community Survey 2016 data

Percentage of Low-Income Homeowners that Experience Housing Challenges in the District



Source: HUD CHAS 2018 using five-year American Community Survey 2016 data

Within the district, the overall disparity is striking, with a 30-point difference in homeownership rates between white and Black or Latino households.

Homeownership Rates by Race and Ethnicity in the District

	White	Black	Asian	Hispanic, All Races
Homeownership Rate	74.5%	44.7%	57.4%	41.4%

Source: HUD CHAS 2018 using five-year American Community Survey 2016 data

The disparity can partially be attributable to longstanding income gaps, (which we can assume would lead to lower homeownership rates among Black and Latino households), but the disparity is evident even when controlling for indicators like income and education.

- Affordable Rental Housing

The most significant need for rental housing is affordable apartments for very low- and extremely low-income households. This is clearly illustrated in the data and reiterated in focus groups, the survey and in state and local housing plans.

According to HUD CHAS statistics, 60% of all extremely low-income renters pay more than half of their income toward housing, and one in four very low-income renters pay more than half of their income toward housing (referred to as “severely cost burdened”). This is significantly higher than the percentage of renters earning between 50% and 80% of AMI (low-income renters) who are severely cost burdened (8.6%).

The household type with the greatest number of housing needs are single individuals living alone. This is a growing demographic seen in national trends and calls for more studio and one-bedroom units and/or alternative housing models such as cohousing. The household type with the greatest likelihood of housing needs are low-income seniors living alone. Black and Latino renter households are more likely to experience housing challenges regardless of income.

- Homelessness and Those at Risk

Homelessness is a growing crisis across the United States due to rising housing prices, the opioid crisis and the Great Recession, where poverty rates reached 15% in 2015, the highest in 20 years. Although there are multiple causes of homelessness, the most significant cause is a lack of affordable housing, followed by unemployment, disabilities and substance abuse. The greatest need for affordable housing is among individuals experiencing homelessness.

Certain individuals and families that are at a higher risk of homelessness include: extremely low-income households, particularly single mothers with children; people with mental illness; people with addiction disorders; people with disabilities; and seniors on fixed incomes. It also includes unaccompanied youth and those transitioning out of institutions (like mental health institutions and prisons). Additionally, according to the point-in-time surveys, there are at least 1,059 veterans experiencing homelessness within Delaware, Pennsylvania and West Virginia (although the actual number far exceeds this figure due to the difficulties in tracking homeless populations).

Based on focus group responses of our subject matter experts, housing alone will not address homelessness. Individuals and families often require a network of systems to create long-term pathways toward self-sufficiency and support. This may require coordination with the criminal justice system, child welfare counseling and behavioral health providers.

Service providers in all aspects of support should coordinate services and share information to increase stability among those receiving the services. This requires coordination between housing providers and other city and state departments, including behavioral health services, the school system, workforce development and the courts.

- Rehabilitation and Preservation

The district has some of the oldest housing stock in the United States with 17% of housing built before 1940 (compared to 13.5% nationally). In older low-income communities, this often means a deteriorating housing stock in need of repair. For communities with declining populations, an older housing stock can also lead to widespread blight and loss in property values. In dire circumstances

that disproportionately impact low-income individuals, seniors and people with disabilities, it can also mean living in conditions that pose health and safety risks. West Virginia prioritizes lead abatement programs and post-flooding disaster recovery, while Delaware prioritizes rehabilitation of existing homes over new construction. In Pennsylvania, rehabilitation of existing homes, coupled with home counseling and neighborhood investment, has proven successful in revitalizing neighborhoods, to the point where housing prices in certain neighborhoods have increased enough to price out longstanding residents. This underscores the importance of owner-occupied rehabilitation within our district.

In the review of statewide housing goals, the housing survey results and the comments from focus group participants, the rehabilitation of older homes is cited as a top priority, both to address need, and as an opportunity to revitalize existing neighborhoods. The need expands across all regions, including low-income communities of color within urban areas, older mobile home communities, rural housing and small and mid-sized cities in need of a downtown or “Main Street” revitalization.

The need also includes the preservation of affordable rental housing, where apartments subsidized by federal programs in the 1990s may begin to increase rents, further limiting the supply of rental units affordable to most low-income renters. When a development reaches its affordability expiration date, the owner may transition the development to market-rate housing or apply for additional funding for substantial rehabilitation, starting a new affordability requirement period.

For subsidized rental housing in high-value areas, the rents at market rate without any subsidy may be more profitable than highly subsidized affordable rental units. According to survey participants, this is a growing concern in the district, particularly in places like Philadelphia where rents have spiked in historically high poverty areas over the past decade.

- Housing for Older Adults

As the Baby Boomer generation shifts into their older years, their housing needs will rise significantly. Low-income older adults largely rely on social security to survive, comprising 72% of their income. While housing, utility, construction and health care costs increase beyond inflationary rates, the incomes of seniors on fixed incomes do not. This places a tremendous financial burden on low-income seniors, who are at a greater risk of homelessness, foreclosure and living in deteriorating housing conditions.

According to HUD CHAS data, there are 115,000 extremely low-income (i.e., earning less than 30% of AMI) senior renters and 80,000 extremely low-income senior owners in the district who are cost burdened. Among all low-income seniors (those earning less than 80% of AMI), 57% of renters and 41% of owners are cost burdened.

- Rural

Rental housing in rural areas has unique needs distinct from urban and suburban rental markets. According to survey responses and focus group input, the greatest challenge to developing affordable rental housing in rural areas is that subsidized rents are not sufficient to fund development because incomes are lower.

Homelessness in rural areas is a unique issue in both tracking the extent of the problem and in addressing it. In contrast to urban areas, which have “clusters” of service providers near homeless concentrations, rural individuals experiencing homelessness tend to be spread out more, living in forest encampments, their cars or abandoned homes. And, unlike urban areas, there are fewer

services like shelters, food banks, health care and job counseling, and they are more dispersed in various towns. Since most individuals experiencing homelessness do not have a car, accessing these services or a job, is extremely difficult. As a result, rural individuals experiencing homelessness are more likely to remain unaccounted for and are unable to access many of the services available to homeless individuals and families living in urban areas.

This also has a negative impact on the funding available to address rural homelessness. HUD financial assistance is based on the number of counted individuals experiencing homelessness in a community through their annual point-in-time surveys. Since rural individuals experiencing homelessness are more likely to be unsheltered, the counts will be disproportionately lower in rural areas.

There are an estimated 4,000 households in our district living in homes that lack heat, basic plumbing or a functional kitchen. This figure only represents the outcome of household surveys conducted by the Census; the true number is likely much higher, since homes in such disrepair are less likely to receive or complete surveys. The areas with the highest concentration are in rural areas of West Virginia and in Pennsylvania.

Climate Resiliency

FHLBank recognizes that weather events and natural disasters have increasingly impacted our members' communities, residents that reside in these communities as well as operations of the projects and programs we support.

Historically, FHLBank has provided disaster relief funding for flooding events throughout the district. Most recently, in 2016, in southern West Virginia, FHLBank provided financial support after devastating flooding that took over 20 lives. FHLBank has AHP scoring priorities tied to operating efficiency for affordable housing development projects, as well as additional points for projects located within a major disaster area as declared by the Federal Emergency Management Agency.

To accommodate individuals impacted by recent natural disasters, FHLBank has informed its AHP projects that they may temporarily allow vacant rental units to be leased to individuals/households, regardless of their income, who were displaced by certain recent disasters.

FHLBank conducted research on AHP projects within retention, First Front Door grants within retention, BOB loans within repayment and CLP specific projects approved between 2019-2022 and overlaid the data against the FEMA National Risk Index which provides data on national hazards and community risk factors.

Climate resiliency will be part of the next needs assessment for the district to be completed in 2024.

Addressing Credit Needs and Market Opportunities

To address credit needs and market opportunities, FHLBank supports its member financial institutions' efforts to finance affordable housing and community and economic development. The primary way we do this is through a suite of required and voluntary community products. In 2023, FHLBank's Board of Directors allocated a total of 15% of 2022 pre-AHP income toward community investment products. This includes our 10% statutory requirement and 5% allocation to voluntary products.

Required

- AHP – creates or preserves affordable housing. Members partner with a developer to apply for a grant through a competitive process.
 - FFD – is a set-aside of AHP where members apply for up to \$5,000 toward closing costs and down payment assistance for first-time homebuyers earning 80% or less of the area median income.
- CLP – offers discounted advances to members with qualified community lending activity. CLP combines the eligibility of the required Community Investment Program and the broader eligibility under the Community Investment Cash Advances regulation.

Voluntary

- Home4Good – provides grants to projects, programs and activities that help those who are experiencing homelessness or are at risk of becoming homeless. Home4Good is offered through the three state housing finance agencies in our district through a structured partnership. Applications are submitted annually with members serving as co-applicants.
- BOB – provides secondary financing in conjunction with a member’s first loan to help small businesses that would not otherwise meet the member’s underwriting standards.
 - Banking On Business Inclusion and Equity fund (BOBIE) was launched in 2022 as a Special Purpose Credit Program supporting minority- and women-owned small businesses. BOBIE is a set-aside of BOB.
- Blueprint Communities – creates momentum to help revitalize communities by training local leaders to capitalize on their community’s assets by developing a long-term community plan. Members participate in the training and planning and help finance community projects.
- Voluntary Housing Grant Initiative - provides additional funding to support affordable housing projects in Delaware, Pennsylvania, and West Virginia. This offering is separate and distinct from AHP.

Refer to FHLBank’s [Impact Report](#) or our [community investment success stories](#) for details on these products and their impact.

Addressing Significant Affordable Housing Needs through AHP

In 2024, FHLBank will address the significant affordable housing needs and meet the statutory and regulatory requirements under AHP by:

- Optimizing our community products in 2024 in a dynamic market environment.
- Allocating a portion of the AHP subsidy to FFD, a set-aside for low-income first-time homebuyers, which addresses one of three statutory requirements.
- Continue the use of the scoring methodology under AHP’s General Fund, that aligns with the findings in the HNA and the Plan, including:
 - Two statutory scoring requirements: 1) Use of donated or conveyed government-owned or other properties and 2) Sponsorship by a not-for-profit or government entity; and
 - Scoring categories addressing significant needs in our district as outlined below.

- FHLBank, in consultation with the Council, has developed a series of metrics that measure outcomes of the AHP awards. The combined awards under the AHP and voluntary housing grant initiative, results in all metrics being within the target range except for two, which are summarized below:
 - In the 2021-2022 rounds, 43% of awarded subsidy supported preservation projects, which is below the target outcome of 51%. FHLBank made scoring adjustments to the 2023 AHP funding round including increasing scoring points for owner-occupied rehabilitation housing and increased the points available for preservation of existing subsidized housing. We will continue to assess the results of the outcome metrics.
 - The three-year approval rate for projects in Delaware fell below our equitable distribution metric by state. To address this, FHLBank increased AHP scoring points in the General Fund for projects in Delaware and set a minimum of four awards in Delaware under the voluntary housing grant initiative.
- In 2024, FHLBank plans to launch a new cohort of Blueprint Communities in eastern Pennsylvania, and an SPCP supporting homeownership for minority households and first-generation home buyers. The SPCP will be called, First Front Door - Keys to Equity fund (Keys) and will be funded under FHLBank’s voluntary allocation. The structure and process for Keys will be similar to FFD.
- Continue to assess the needs of affordable housing in Delaware, Pennsylvania and West Virginia.

FHLBank will not establish a Targeted Fund in 2023. We will include the 2024 scoring in the updated 2024 Implementation Plan once approved by the Board of Directors at the end of December 2023.

2024 AHP Scoring	Housing Needs Assessment (HNA) findings supporting the 2024 AHP scoring
<u>Income targeting</u>	The lower a household’s income , the more likely it is that they will experience housing challenges. Paying a substantial share of income on housing, leaves less money for food, healthcare, transportation and the ability to save, which increases housing insecurity.
<u>Underserved communities and populations</u> <ul style="list-style-type: none"> • Housing for homeless households • Special needs populations and veterans • Rental housing for extremely low- income households • Housing in rural areas 	The HNA report demonstrates a significant need to support those who are experiencing homeless or at-risk of homelessness , which includes a list of vulnerable populations. Renters who earn less than 30% of area median income experience financial instability and are at a high risk of homelessness. The HNA report also describes the needs of people with special needs and veterans. Rural areas are challenged by fewer financial resources and service providers/ developers, lower incomes and development challenges.

<p><u>Creating economic opportunity</u></p> <ul style="list-style-type: none"> • Promotion of empowerment • Residential economic diversity – housing in areas of opportunity, which are middle to higher income areas 	<p>Supportive housing, with wraparound services and other types of training and services, enables more successful pathways to housing stability and better quality of life, which housing alone cannot achieve. Providing housing opportunities for low-income families in “areas of opportunity” can provide better access to jobs and schools.</p>
<p><u>Community stability</u></p> <ul style="list-style-type: none"> • Community planning • Rehabilitation of existing properties • Owner-occupied rehabilitation • Historic property rehabilitation • Preservation of existing subsidized housing • Sustained affordability 	<p>Affordable housing development can have a positive impact on the well-being of the community. Consistency with community planning ensures community support and broader alignment with a local vision. Home repair and rehabilitation is needed due to aging housing stock and the inability of many low-income families to afford repairs. Stabilizing communities involves property improvements that may remove blight, adaptively reuse properties and renovations of historic properties, which are community assets. The need also includes the preservation of affordable rental housing where subsidized apartments with expiring restrictions may begin to increase rents, further limiting the supply of affordable rental units.</p> <p>Development models and structures that extend affordability periods help maintain and sustain the supply of affordable units in the market.</p>
<p><u>Bank District priorities</u></p> <ul style="list-style-type: none"> • Projects serving low-income minority areas • Homeownership in low-income minority areas • Projects in FHLBank’s district 	<p>Black and Latino renter households are more likely to experience housing challenges regardless of income, and within the district, there is a 30-point difference in homeownership rates between white, Black or Latino households. The HNA report illustrates a significant need in Delaware, Pennsylvania and West Virginia.</p>

Community Lending and Affordable Housing 2023 Performance and 2024 Goals

Goal Title	2023 Goal	2023 Performance As of September 30, 2023	2024 Goal
1. Expand the use of FHLBank’s community lending products and services			
a. Increase the number of members using our community products	Increase member uses of community investment products: Threshold: 293 Target: 306 Maximum: 328	As of Sept. 30, 2023, there have been 309 member uses of Community products, exceeding the target metric.	Optimize member use of community products by year-end. Community products include: AHP/ Voluntary Housing Grant, CLP, BOB/ BOBIE, and FFD/ Keys. Target is 168 member uses. Note, the lower member use target is due to the removal of Home4Good member uses from this goal.
b. Technical assistance and education	Provide technical assistance resources and educational opportunities to both members and key program participants. Specifically, conduct outreach to inform members and sponsors about changes to AHP and the availability of the voluntary housing grant initiative.	FHLBank provided a series of presentations at webinars, conferences, meetings to review community products. A specific outreach strategy was implemented to affordable housing developers in Delaware. Bank staff fielded 64 AHP technical assistance requests in 2023 that included debriefing unsuccessful 2022 applicants seeking to resubmit for the 2023 funding round. In addition, FHLBank continued to offer its AHP member/sponsor matching assistance service, receiving 44 requests and made 22 successful matches.	Provide technical assistance resources and educational opportunities to both members and key program participants. Specifically, conduct outreach to inform members and sponsors about changes to AHP and the availability of the voluntary housing grant initiative.
c. Commit AHP funds	Commit all funds available and achieve 47 members using AHP. Implement changes to address new AHP policy and scoring.	In 2023, FHLBank will commit approximately \$24 million in AHP funding to be awarded in December 2023. 43 members participated in the 2023 AHP funding round, which is below the goal target. Changes to AHP scoring were implemented.	Commit all funds available and achieve 45 members using AHP.
d. Commit voluntary housing grant initiative funds	Implement the additional funding available through the voluntary housing grant initiative for affordable housing projects within our district.	FHLBank has made \$8 million available in voluntary housing grant funding for in-district affordable housing projects. Awards will be made in December 2023.	Contingent on approval by FHLBank’s Board of Directors – if offered in 2024, implement the voluntary housing grant initiative for affordable housing projects within our district.

e. Commit FFD funds	Commit all funds available and achieve 67 members using FFD.	In 2023, over \$8.8 million in FFD down payment and closing cost assistance was committed to 1,765 eligible first-time homebuyers. 73 different members received a reservation of FFD funds on behalf of qualified buyers, exceeding the goal.	Commit all funds available and achieve 72 members using FFD/Keys.
f. Commit CLP funds	Achieve 30 members using CLP.	As of Sept. 30, 25 members have received a CLP commitment.	Achieve 26 members using CLP.
g. Commit BOB funds to eligible small businesses	Commit all funds available to eligible small businesses and achieve 26 members using BOB/BOBIE.	In 2023, FHLBank has allocated \$8 million to BOB, \$3 million of which was set aside for the BOBIE. Twenty-six members participated in BOB/BOBIE, which met the target goal.	Commit all funds available to eligible small businesses, continue BOBIE and achieve 26 members using BOB/BOBIE.
h. Commit Home4Good funds	Commit all funds and achieve 131 members using Home4Good (as co-applicants).	In 2023, FHLBank and our three Housing Finance Agency (HFA) partners committed \$5.825 million under Home4Good. Our contributed \$3.5 million and the HFAs contributed \$2.325 million. 171 members have participated, which is above target.	Commit all funds and engage members as co-applicants.

Goal Title	2023 Goal	2023 Performance As of September 30, 2023	2024 Goal
1. Expand the use of FHLBank’s community lending products and services			
a. . Blueprint Communities®	Continue to support the efforts of the existing Blueprint Communities in Delaware, Pennsylvania, and West Virginia. Initiate planning for the launch of a new Pennsylvania cohort in 2024.	FHLBank continued to partner with the West Virginia Community Development Hub to oversee the initiative and administer mini- and capacity-building grants, which were provided to West Virginia’s six participating communities. Additionally, FHLBank selected the Pennsylvania Downtown Center to serve as lead state partner to implement a new Blueprint Communities cohort in eastern Pennsylvania in 2024.	Complete a kick-off ceremony of the selected eastern Pennsylvania new Blueprint Communities. Engage with the selected lead state partner, Pennsylvania Downtown Center to implement the initiative and present our community investment products to the selected communities by Dec. 31, 2024.
b. Explore opportunities to address diversity and inclusion	Implement initiatives and policy changes that advance diversity, equity and inclusion and are aligned with our Diversity and Inclusion strategic plan.	In 2023, FHLBank completed several actions: 1. Offered BOBIE – awarding over \$5.2 million to 40 women- or minority-owned small businesses. 2. Evaluated the need for a special purpose credit program to help narrow the racial homeownership gap. 3. Selected a DEI Membership Award winner, Community First Fund. FHLBank received eight nominations. 4. Continued the AHP scoring category for projects located in low-income, minority areas and for projects creating homeownership opportunities in low-income, minority areas.	Continue current DEI initiatives and as a pilot, voluntary initiative, launch and execute (by committing available funds) Keys, a new product to expand access to homeownership for minority and/or first-generation first-time homebuyers.
c. 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.	FHLBank partnered with key community-related strategic partners (e.g., housing and community development funders and professional organizations, member regulators, etc.) via event sponsorship, speaking engagements and participation and dissemination of Bank product information.	Enhance and build strategic partnerships by enhancing and creating relationships with members, members regulators and other stakeholders, including Native American populations.

<p>d. Address priority needs</p>	<p>Implement the voluntary housing grant initiative funding.</p> <p>Address priority needs via the AHP scoring, including a point increase for preservation projects, and through other community products.</p>	<p>Implemented a voluntary grant. The additional funding was made available for in-district affordable housing development projects. Awards will be announced in December 2023.</p> <p>An increase of scoring priority points was provided to owner-occupied rehabilitation projects and preservation of existing subsidized housing projects for the 2023 AHP funding round.</p>	<p>Address priority needs via the AHP scoring.</p> <p>In 2024, FHLBank will complete a Needs Assessment for the District which will assist in shaping the 2025 AHP scoring priorities.</p>
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“Blueprint Communities” is a registered service mark of the Federal Home Loan Bank of Pittsburgh.