

FEDERAL HOME LOAN BANK OF SAN FRANCISCO

2017 Community Lending Plan

Introduction

Management provides regular updates to the Board and the Affordable Housing Advisory Council (AHAC) on the Bank's progress in developing and implementing the Community Lending Plan (Plan). The Board and the AHAC review progress on the Plan and help identify new areas of opportunity for promoting the Bank's community programs.

The Access to Housing and Economic Assistance for Development (AHEAD) Program and the homeownership set-aside programs, the Individual Development and Empowerment Account (IDEA) Program and the Workforce Initiative Subsidy for Homeownership (WISH) Program, were developed in response to identified market opportunities in the Bank's district. The Bank plans to continue to promote the IDEA, WISH, and AHEAD programs, provide technical assistance for using the programs, and expand member participation.

Section I describes activities designed to gather input for the Plan from members, housing associates, and public and private economic development organizations in the Bank's district. A new outreach activity intended to help provide tribal communities with support and access to credit is described in Section I. E. This initiative will be led by the Member Financial Services department of the Bank, in partnership with the Community Investment department.

Section II references the corporate initiative on quality job growth and small business expansion that the Legislative and Regulatory Affairs department has been researching in conjunction with the Aspen Institute and the Community Investment department. This initiative will deliver funds allocated by the Board. To inform development of the new initiative, the Bank convened meetings and round tables with academics, economic development experts, and business and civic leaders throughout the district to explore issues and opportunities for job creation, workforce development, and wealth creation.

Section III outlines plans for the Bank's non-mandated grant program, AHEAD. In 2017, management will explore whether to refocus the AHEAD program, with the goal of increasing the number of high-quality applications focused on addressing local economic and community development needs while also achieving greater efficiency in the evaluation process.

Section IV outlines Community Support Program activities, and Section V describes the Bank's quantitative community lending performance goals.

The activities identified in Section IV are similar to those in the 2016 Community Lending Plan and describe the Bank's efforts to promote, administer, and provide technical assistance for all of the Bank's community programs.

In Section V, the first quantitative goal remains the same as in 2016. No significant increase in the number of members using the Community Investment Program (CIP) and Advances for Community Enterprise (ACE) program is expected in 2016, and management does not expect an increase in the number of unique members receiving AHEAD grants. Management has not changed the second quantitative goal given 2016 year-to-date achievement and in light of unchanged departmental resources tasked for outreach and other activities not directly related to the administration of the AHP. Management has increased the third quantitative goal, the number of members participating in workshops or receiving technical assistance from the Bank, given 2016 year-to-date achievement.

The last goal specifies the target amount of small business, small farm, and small agribusiness loan collateral expected to be pledged as of yearend 2017 by community financial institution (CFI) members that receive borrowing capacity on their CFI collateral. The target amounts are slightly higher than in 2016 because of an increase in the amount of CFI collateral on the balance sheets of these members. Management does not anticipate that the balance sheets of CFI members currently pledging collateral will significantly increase in 2017 or that a significant number of new CFI eligible banks will become Bank members in 2017.

Recommendation

Management recommends that the Board approve the proposed 2017 Community Lending Plan attached as Exhibit A.

2017 Community Lending Plan

I. Develop and Maintain Relationships with Members and Community and Economic Development Organizations

- A. Create opportunities to support and participate in conferences and workshops sponsored by community organizations.
- B. Develop, sponsor, and co-sponsor workshops and meetings to promote relationships among the Bank, its members, housing associates, and community-based organizations.
- C. Provide technical assistance to community and economic development organizations on the Bank's community programs.
- D. Provide support to community-based organizations to link these organizations to sources of technical assistance, experienced partners in community development, and advocacy groups.
- E. Pursue outreach opportunities with tribal associations and explore how the Bank, in partnership with member institutions, can help provide access to credit for tribal communities and otherwise help address their community and economic development challenges.
- F. Support members, housing associates, and their community partners in their efforts to support economic development projects that promote job creation and training, offer social services, or provide financial education to low- and moderate-income people and families, or that help build nonprofit capacity.

II. Support Bank Efforts to Develop and Implement a Corporate Program Focusing on Quality Job Growth and Small Business Expansion

Continue to provide support and expertise and participate in the development and implementation of the new program.

III. Non-Mandated Grant Program: Access to Housing and Economic Assistance for Development (AHEAD) Program

- A. Conduct research with members and program users to determine whether to refocus the program.
- B. Accept and evaluate applications and administer the program in 2017.

IV. Community Support Program Activities

- A. Promote affordable housing finance and partnerships among members, housing associates, and community developers.

- B. Administer the Affordable Housing Program (AHP), including the competitive program and the set-aside programs, the Individual Development and Empowerment Account (IDEA) Program and the Workforce Initiative Subsidy for Homeownership (WISH) Program.
- C. Promote the use of the Bank’s community programs and expand member participation. Continue to provide information and technical assistance on the Bank’s community programs in seminars, workshops, and meetings.

V. Quantitative Goals for 2017

- A. **CIP and ACE advances and letters of credit and AHEAD grants:** Transact Community Investment Program (CIP) and Advances for Community Enterprise (ACE) advances and letters of credit and award AHEAD grants.

2017 Goal	Meets	Exceeds	Far Exceeds
CIP and ACE advances and letters of credit and AHEAD awards (# of members) ¹	41	44	47

The recommended 2017 goal targets are the same as in 2016, given the 2016 year-to-date achievement. No significant increase in the number of members using the credit programs or participating in the AHEAD program is expected in 2017.

- B. **Actively participate in and/or convene conferences, meetings, and workshops:** Promote understanding of the Bank’s mission and community programs and foster increased involvement by members and housing associates in affordable housing and economic development by supporting and actively participating in or convening conferences, workshops, and meetings with members and public and private community and economic development organizations.

2017 Goal	
Actively participate in and/or convene conferences, meetings, and workshops	75

The recommended 2017 goal target is the same as in 2016, based on year-to-date achievement and availability of resources in the Community Investment department for this activity.

¹ Members that sponsor a successful AHEAD grant application are counted separately from participation in CIP and ACE advances and letters of credit.

- C. **Increase member involvement in community programs:** Promote member participation in Bank-sponsored AHP (competitive and set-aside) workshops and provide technical assistance to members on the use of the Bank's affordable housing, credit, and economic development programs.

2017 Goal	Meets	Exceeds	Far Exceeds
Member participation in AHP workshops and technical assistance (# of unique members)	75	77	79

The recommended 2017 goal targets are higher than in 2016, based on 2016 year-to-date achievement. No significant increase in member participation in workshops and technical assistance is expected in 2017.

- D. **CFI collateral:** Increase the amount of small business, small farm, and small agribusiness loans pledged by community financial institution (CFI) members that receive borrowing capacity on their CFI collateral, as measured by the total unpaid principal balance of each loan type pledged as of yearend 2017.

2017 Goal	
CFI collateral (<i>Unpaid principal balance in millions</i>):	
Small business loans	\$4,062
Small farm loans	\$633
Small agribusiness loans	\$221

The recommended 2017 goal targets are slightly higher than the 2016 goals and are similar to the 2016 year-to-date balances. Management does not anticipate a decline in balances as a result of some members losing their CFI status in 2017. Management also does not expect the balance sheets of CFI members currently pledging collateral to increase significantly in 2017 or that a significant number of new CFIs will become Bank members in 2017.

2017 Goals Summary	Meets	Exceeds	Far Exceeds
CIP and ACE advances and letters of credit and AHEAD awards (# of members)	41	44	47
Actively participate in and/or convene conferences, meetings, and workshops	75		
Member participation in AHP workshops and technical assistance (# of unique members)	75	77	79
CFI collateral (<i>Unpaid principal balance in millions</i>):			
Small business loans	\$4,062		
Small farm loans	\$633		
Small agribusiness loans	\$221		

2016 Goals Summary	Meets	Exceeds	Far Exceeds	As of 10/31/16
CIP and ACE advances and letters of credit and AHEAD awards (# of members)	41	44	47	44
Actively participate in and/or convene conferences, meetings, and workshops	75			66
Member participation in AHP workshops and technical assistance (# of unique members)	63	66	69	75
CFI collateral (<i>Unpaid principal balance in millions</i>):				
Small business loans	\$3,984			\$3,952
Small farm loans	\$497			\$626
Small agribusiness loans	\$178			\$220