

# Presentation to the FHFA

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## WHO WE ARE:

- Founded in 1983, Luther Burbank Savings (“LBS”) has been in business for 39 years
- We operate along the Pacific coast in California, Oregon, and Washington states
- Total assets of \$7.5 billion as of 6/30/2022, 11 branches
- Residential Lender {97% of our loans finance single family (30%) or multifamily (67%) homes}
  - According to the Urban Land Institute, workforce housing is defined as housing affordable to households earning between 60 and 120 percent of the area median income.
    - Our multifamily lending is primarily focused on workforce housing
    - The average rental rate was approximately \$1,500 per month as of 6/30/2022
    - More than half of the multifamily loans in our portfolio are properties that are located in low and moderate income census tracts
- In terms of single family loans, LBS has two programs designed to support entry-level homebuyers (e.g. first time homebuyers with up to 97% LTVs)
  - 14% of single family loans in our portfolio are in low and moderate income census tracts

## WHY WE ARE A MEMBER OF THE FHLB SAN FRANCISCO (“FHLB SF”):

- Luther Burbank Savings has been a member of the FHLB since our inception in 1983
- The FHLB SF provides us the ability to manage our cash/liquidity with the ease of a phone call
- The FHLB SF enhances our management of interest rate risk by allowing us to extend the maturity of our liabilities through the use of term advances
- The FHLB SF provides additional tools to manage our interest rate risk through their advance products with embedded interest rate caps
  - Twice the IRR reduction per notional amount
  - Avoids complex hedge accounting because the cap is embedded in the advance rate
- The FHLB SF provides securities safekeeping services
- The FHLB SF offers discounted advances through the Community Investment Program (“CIP”) to help finance affordable housing, economic development, and community revitalization activities
  - In 2022 we obtained \$200 million in CIP discounted advances
  - Over the past five years, we obtained over \$1.5 billion in CIP discounted advances
- The FHLB SF helps us serve our communities through their grant programs

## THE FHLB SF PRODUCTS AND SERVICES WE USE:

- Luther Burbank Savings currently has more than \$1.0 billion in outstanding advances, including:
  - overnight and term advances, and
  - we have averaged just under \$1.0 billion in advances over the past five years
- The average original term on our outstanding advances was approximately 3 years, which is important in terms of our interest rate risk management
- We have a letter of credit from the FHLB SF that supports our reimbursement agreement on a loan securitization transaction with Freddie Mac
- The FHLB SF handles the safekeeping of our securities portfolio
- We are active participants in many of the FHLB SF grant programs because of the positive impact they have on our communities

# THE TREMENDOUS IMPACT AND BENEFIT TO OUR CUSTOMERS AND OUR COMMUNITIES

- The FHLB SF has a number of different grant programs that have a positive impact on the communities around our region. Here are a few :
  - During the last five years, LBS helped 44 low- to moderate-income borrowers buy a home with down payment assistance grants from the FHLB SF totaling \$852 thousand
  - The FHLB SF has set aside grant money to support our communities during times of disaster and also during the pandemic
  - Over the past five years, the FHLB SF matched donations that LBS made to seven non-profits in our communities through these programs, totaling \$25 thousand
  - “Access to Housing and Economic Assistance for Development” (“AHEAD”) grants are aimed at advancing innovative economic development initiatives that bring greater opportunity to underserved populations. Through this program, three grants totaling \$80 thousand were provided to organizations within our local community by the FHLB SF
  - FHLB SF has a positive impact across all of the communities in its region by working with its members to identify and respond to local needs

## THE TREMENDOUS IMPACT AND BENEFIT TO OUR CUSTOMERS AND OUR COMMUNITIES (Continued)

- There was one particular new grant program that Luther Burbank Savings was proud to support this year. It is called the “Empowering Black Homeownership” grant program. It is a key component of FHLB SF’s commitment to advancing racial equity in homeownership and narrowing the Black homeownership and wealth gaps
- On March 1<sup>st</sup> of this year, the FHLB SF made \$1 million in grant funding available to member institutions to help expand the capacity of HUD-approved housing counseling agencies to serve more aspiring and at-risk homeowners in communities of color. The program allowed eligible FHLB SF member financial institutions to request dollar-for-dollar matching grants
  - The grants were made to twenty-two approved HUD housing counseling agencies and used for eligible activities in 2022 - 2023, including staffing, marketing, and pre- and post-purchase counseling
  - The \$1 million has been fully dispersed with 14 member institutions participating
  - Luther Burbank Savings participated by donating \$60 thousand to two HUD counseling agencies, which was matched by the FHLB SF

## THE TREMENDOUS IMPACT AND BENEFIT TO OUR CUSTOMERS AND OUR COMMUNITIES (Continued)

- The FHLB SF's Affordable Housing Program ("AHP") helps expand access to affordable housing for those who need it most. AHP grants are awarded annually through a competitive application process to housing developers, non-profits, and other community organizations, working through their FHLB SF members
- Luther Burbank Savings supported Caritas Village in the competitive AHP grant program and we were pleased that they were awarded a \$1.25 million grant
- Caritas Center is a new mixed-used transitional housing development that is part of a larger development called Caritas Village. Caritas Center expands housing and emergency shelter services by creating 88 units for homeless and special needs households.
  - Designed specifically for vulnerable families and individuals, Caritas Center operates as a high-impact facility to fast-track the journey from homelessness to housing through various programs

## WHY THE NEED FOR CARITAS VILLAGE?

2022 Sonoma County Point-in-Time Homeless Count: 2,893

- 61% unsheltered
- 69% homeless for more than a year
- 19% had some form of employment
- Of 725 **chronically homeless** individuals, 69% were unsheltered

### SELF REPORTED HEALTH+

Current health conditions that may affect the housing stability or employment of those experiencing homelessness.



**37%**

PSYCHIATRIC  
OR EMOTIONAL  
CONDITIONS



**36%**

ALCOHOL &  
DRUG USE



**34%**

PTSD



**27%**

PHYSICAL  
DISABILITY



**24%**

CHRONIC  
HEALTH  
CONDITION



**13%**

TRAUMATIC  
BRAIN INJURY



**4%**

HIV/AIDS  
RELATED  
ILLNESS

# THE DREAM: Helping 2,893 unhoused Sonoma County people

Funding is the critical path, requiring many contributors. Caritas Village:

- \$35 million capital campaign, one of the largest in Sonoma County history
- Project took 7 years to pull together, including public funding and tax credits
- Luther Burbank Savings funded the consultant to help write the applications and manage the application process to receive the funds
- FHLB SF not only provided a \$1.25 million grant, but that grant was the game-changer that kicked the campaign to the required funding level to ensure receipt of the critically important tax credits



## KEY OUTCOMES: A scalable model to alleviate or even end homelessness

1. Dramatic reduction in homelessness
  - Double the number of people moving into permanent housing each year
  - Significantly reduce overall homelessness in Santa Rosa
2. Improved health care
  - Comprehensive medical care reduces the load and cost to emergency rooms, clinics and emergency transportation
3. Improved safety and mental health
  - Reduce neighborhood law enforcement interactions
  - Provide mental health and addiction services, leading to a better chance to stay housed
4. End cycles of generational poverty and homelessness
  - Stable housing for children with supportive childcare, early childhood education and academic support that ensures they stay housed throughout their lives

## **CARITAS VILLAGE MEETING THE NEEDS:** A full block of Santa Rosa provides all the needed services

- Caritas Center: shelter services
- 128 person affordable housing units with supportive services
- Family Shelter: children's afterschool and onsite child care
- Drop in services (e.g. showers, food, and laundry)
- Medical recuperation services for those discharged from a hospital
- Comprehensive medical services, including support for mental health and addiction
- Dedicated staff for housing navigation/locating housing
- Stabilization team to ensure those housed never lose housing
- Assistance with managing finances

*All units expected to be open by early next year, serving 3,000 individuals*

## FHLB: A critical resource

- As an active FHLB SF member, we strongly believe in the mission of the FHLB system
- We believe that the FHLB system supports the local communities of its members through affordable housing grants and other grant programs
- We believe that the FHLB system provides access to liquidity for its members through advances which are available with a simple phone call
- By offering term advances and advances with embedded caps, the FHLB banks support strong interest rate risk management among their members
- We appreciate the opportunity to express our opinion, and your consideration of the many great benefits that the FHLB system offers to members across our country

**THANK YOU**