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January 19, 2017

Dr. Fred C. Graham  
Deputy Director of the Division of FHLB Regulation  
Federal Housing Finance Agency  
400 7<sup>th</sup> Street, SW  
Washington, DC 20024

Dear Dr. Graham:

As required under 12 CFR 1292.6, please find a copy of the Federal Home Loan Bank of Cincinnati's 2017 Targeted Community Lending Plan attached. Should you have any questions, please contact Mr. Damon v. Allen, Senior Vice President & Community Investment Officer, at (513) 852-7518 or [allendv@fhlbcin.com](mailto:allendv@fhlbcin.com).

Regards,

A handwritten signature in blue ink, appearing to read 'A. Howell', is written over a light blue horizontal line.

Andrew S. Howell

ASH/dva

Enclosure

c: Ms. Sandra Thompson, Deputy Director of the Division of Housing Mission and Goals  
Mr. Andre Galeano, Principal Bank Examiner  
Ms. Gwen Grogan, Associate Director  
Ms. Sylvia Martinez, Principal Adviser/Manager  
Ms. Deattra Perkins, Senior Policy Analyst

# 2017 Community Lending Plan



Owner:

Housing and Community Investment

Policy Dates:

Original Effective Date: January 1, 2000

Current Effective / Approval Date: January 19, 2017

Last Review Date: January 20, 2016

Required Review Frequency: Annually



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## **PURPOSE**

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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 Community Lending Plan (“Plan”) pursuant to the Community Support Regulation.

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## **SCOPE**

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This Plan covers HCI and the provision of credit for community lending (economic development) activities and the assessment of the economic development needs and market opportunities occurring within the Fifth District as outlined in 12 C.F.R. Part 1290.

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## **ROLES & RESPONSIBILITIES**

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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 Community Investment Cash Advance (“CICA”) applications.

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## **MARKET RESEARCH/ASSESSMENT**

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The first Assessment of Community Lending Needs and Market Opportunities Report was submitted to the Federal Housing Finance Board in June 1999. In that report, the FHLB assessed community lending needs and market opportunities occurring within the Fifth District by consulting with numerous individuals, agencies, cabinets, Members, organizations and professionals in the economic development field. The FHLB conducted community-lending forums throughout the District and reviewed published materials, reports, and indicators of unmet housing needs, Brownfields, and economic development needs.

The following timeline summarizes significant market research and assessment events since 2000:

| <u><b>Year</b></u> | <u><b>Description</b></u>  |
|--------------------|--|
| 2000               | <ul style="list-style-type: none"><li>• Consulted with agencies, cabinets, Members, organizations and professionals in the economic development field</li><li>• Conducted a series of economic development informational meetings</li><li>• Hosted a regional conference on metropolitan growth and sprawl</li></ul> |

- 2003 - 2004

  - Established a Pre-development Fund (Fund), currently known as the Zero Interest Fund (ZIF)
  - Established the Economic Development Program (EDP).
  - Participated in the Memphis Business Opportunity Fund, which pools resources from the city of Memphis, from lenders, and others to create a vehicle for business lending and investment. The FHLB shared in the fund’s operating costs for the first two years.
- 2005

  - Reviewed and updated the needs identified within the Fifth District after consultation with the Advisory Council’s Economic Development Committee
  - The Board established the New Neighbors program, a \$15 million grant program to assist households displaced by Hurricane Katrina that were relocating to the Fifth District.
- 2007

  - The Board established the HomeProtect Program, a \$250 million discounted Advance program that provided permanent, fixed-rate mortgage refinancing.
- 2008

  - Following approval of the Housing and Economic Recovery Act of 2008 (“HERA”), which included a provision that allows Community Development Financial Institutions (“CDFIs”) to become Members of the FHLB System, the FHLB expanded its membership to include CDFIs.<sup>1</sup>
  - The Board also established a grant program to assist households facing foreclosure – Preserving the American Dream.
- 2010

  - The Board established the Carol M. Peterson Housing Fund (the “CMPHF”); a \$1.0 million fund that provides grants for the construction of ramps for low- and moderate-income special needs households.
- 2011

  - Expanded the CMPHF to provide grants for accessibility rehabilitation and emergency repair and include elderly homeowners.
- 2012

  - Established the Disaster Reconstruction Program (the “DRP”); a \$5.0 million fund used to assist Fifth District residents impacted by a state or federally declared disaster.

<sup>1</sup> The FHLB currently has four CDFI Members.

- 2014
  - As part of the CMPHF, the FHLB also established the Carol M. Peterson Excellence in Service Awards, which recognized innovative housing solutions benefiting special needs households.
- 2015
  - FHLB Staff conducted an overview of the CIP and EDP at the Board of Directors Strategic Planning Conference.
- 2016
  - Increased funding for the CMPHF to \$1.5 million
  - Earmarked \$100,000 of the \$1.5 million to support the Jimmy and Rosalynn Carter Work Project hosted by the Habitat for Humanity of Greater Memphis.

## **SUMMARY OF IDENTIFIED NEEDS**

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The FHLB has identified credit needs and market opportunities in economic development lending in three sectors: real estate financing needs, business financing needs, and specialized financing needs. The following summarizes the needs in each area:

### *Real Estate Financing Needs*

1. Fixed rate financing, at low-interest or guaranteed rates, for construction and permanent financing (CIP);
2. Downtown development, i.e., façade and improvement loans for commercial properties and financing of upper story housing (CIP/EDP);
3. Infrastructure improvements and neighborhood revitalization (CIP/EDP);
4. Pre-development funding sources for commercial and mixed-use real estate development (ZIF);
5. Childcare/Daycare facilities, freestanding and within affordable housing developments (CIP/EDP);
6. Real estate financing for newly constructed, affordable owner-occupied and rental housing development, as well as the preservation of existing affordable units (AHP/CIP);
7. Funds for rehabilitation of existing housing, especially for the elderly (AHP/ARP);
8. Financing for community centers and teen centers based on a plan for structured, sustainable programming (CIP/EDP);
9. Rural medical and health facilities financing (CIP/EDP);
10. Cultural and arts facilities financing (CIP/EDP);

11. Transitional housing for persons leaving rehabilitation or other protected environments to assist in reintegrating into society (AHP/CIP);
12. First mortgage refinancing, especially for households facing economic distress or foreclosure (CIP); and,
13. Funds to bring vacant properties back into occupancy, especially those vacant because of foreclosure (AHP).

*Business Financing Needs*

1. Equity investments (venture capital, seed money, micro-loans) for business start up and expansion, especially in rural and Appalachian communities (through partner organizations such as SECC, Kentucky Highlands Investment Corporation, etc.) (ZIF);
2. Loan guarantee programs and lender consortia (EDP);
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 (through partner organizations) (ZIF);
5. Increased credit resources for construction or modernization of plant and equipment, thereby increasing productivity, new product development and market expansion opportunities (through partner organizations) (CIP/EDP);
6. Financing of non-traditional industries and entrepreneurs, e.g., tourism, seasonal enterprises, and new and expanding medical technologies (CIP/EDP);
7. Financing for emerging technology companies (CIP/EDP);
8. Working capital, especially revolving credit from \$500 to \$250,000 for micro and small businesses (ZIF and partner organizations);
9. Alternative crop financing (CIP/EDP); and,
10. Financing for technology (CIP/EDP and through partner organizations); and,
11. Expansion of CDFI loan funds.

*Specialized Needs*

1. Small business and entrepreneurial technical assistance support, i.e., business planning, financial management assistance, business development assistance and marketing, entrepreneurial assessment (through partner organizations);
2. Education and technical assistance to members, community financial intermediaries and public and private economic development partnerships and organizations (through partner organizations/EDP);



3. Credit and financing needs in both urban and rural areas for Brownfields acquisition, remediation, site preparation and redevelopment (CIP/EDP);
4. Mortgage credit and down payment assistance in support of minority homeownership to produce equity buildup for business formation and expansion (AHP/WHP);
5. Financing and lines of credit for social service programs in support of housing development (CIP/EDP);
6. Seed capital for non-profit organizations with a community development or community service focus (CIP/EDP/ZIF);
7. Funds for infrastructure needs, such as water and sewer lines (CIP/EDP/ZIF); and,
8. Funds for land-banking so developers, especially those with a mission to build affordable housing, can act quickly to gain control of land parcels for development (CIP/EDP).

## **COMMUNITY LENDING ACTIVITIES AND METHODOLOGIES FOR 2017**

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In response to the identified needs, the FHLB will continue to provide financing for community economic development and small business expansion in the Fifth District.

All communities, particularly distressed communities, should be empowered to develop and implement their own economic development and revitalization strategies. The primary programmatic objectives of the FHLB's Community Lending Plan are to respond to community needs and priorities that retain and create private sector jobs and leverage private capital.

These objectives will be accomplished through entrepreneurial lending and promotion, small business lending and promotion, and Member venture capital investments for community and economic development activities within the Fifth District. These objectives should also result in additional public works investments and the generation of increased tax revenues for distressed communities.

In its initial Assessment of Community Lending Needs and Market Opportunities, the FHLB noted a number of diverse credit needs that hinder the development of viable, sustainable communities in parts of the Fifth District. Subsequent research has reinforced these findings. The attraction of capital to business startup and expansion within certain geographic sectors remains the lowest in the nation. The FHLB recognizes that a unified assortment of strategies and participants are necessary to address the identified community and economic development financing needs in each community.

## **LENDING ACTIVITIES**

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### *Advances Programs*





The FHLB continues to offer the CIP and EDP. Economic development lending remains a valid use of either program. The FHLB finished 2016 with \$145.8 million in outstanding CIP Advances and \$203.3 million in outstanding EDP Advances. Both programs experienced a decline in balances from year-end 2015

#### *Zero-Interest Loan Fund*

The FHLB continues to offer the ZIF, which provides zero-interest, recoverable loans to cover upfront infrastructure costs on residential and economic development projects. Two million dollars has been set-aside for the ZIF, which provides loans up to \$100,000 per project. As of December 31, 2016, outstanding ZIF loans totaled \$0.9 million, which is a slight decrease from the previous year-end balance.

#### *Letters of Credit*

The FHLB will continue to promote utilization of letters of credit as effective tools for housing and community lending activities. The FHLB offers reduced fees on its letters of credit issued through the Community Investment or Economic Development Programs.

## **NON-LENDING ACTIVITIES**

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#### *Partnership Development/Strategic Alliances*

In 2000, the FHLB became a member of the Kentucky Renaissance Alliance (Alliance). The Alliance has been comprised of seven agencies dedicated to redevelopment and revitalization of the Commonwealth's cities and towns. In 2001, the FHLB increased the number of partnerships to ten by developing three additional partnerships with organizations involved in community lending and specialized needs. The FHLB also focused on responding to the credit needs of the existing partner organizations. The partners met with the FHLB's Advisory Council and summarized their work and offered suggestions about meeting future needs.

In 2005, the Advisory Council's Economic Development Committee reviewed the formal partnerships and drafted the following criteria for establishing partnerships:

1. The organization must have a geographic region extending beyond city/county areas;
2. The partnership must result in utilization of FHLB products or partnership with projects;
3. The partnership must result in mutual promotion of the other partner; and,
4. There must be compatibility of mission between the partner and the FHLB to assist and revitalize communities. The Board of Directors also adopted a recommendation to expand the number of formal partnerships.

Late in 2005, formal partnership agreements were executed with the Ohio Housing Finance Agency and the Ohio Capital Corporation for Housing. In 2006, a formal partnership was executed with the Tennessee Housing Development Agency. Partnerships with Adena Ventures and Renaissance Kentucky were retired. No changes to the formal partnerships have been made since 2006.



### *Technical Assistance*

The FHLB will continue to provide ongoing CICA 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 to 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 2016, the FHLB conducted a series of roundtables throughout the Fifth District states of Kentucky, Ohio and Tennessee. The purpose of the roundtables was to promote the FHLB's community investment and economic development programs.

### *Research*

The FHLB will continue to stay abreast of ongoing research to assess unmet credit needs and market opportunities occurring throughout the Fifth District. As in 2014, the Accessibility Rehabilitation Program, re-named the Carol M. Peterson Housing Fund, continued to experience overwhelming success. As previously mentioned, funding for the program was increased from \$1.0 million to \$1.5 million in 2016. The Advisory Council and the Housing and Community Development Committee review the program and its funding annually.

### *Information Dissemination*

The FHLB will utilize its website, [www.fhlbcin.com](http://www.fhlbcin.com), 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.

### *Staff Capacity*

The FHLB will provide staff training opportunities that will support community lending financing and economic development skills and build capacity for providing technical assistance to members and their partners.



## PERFORMANCE GOALS

The CICA regulation requires the FHLB to develop annual performance goals and measurable achievement standards. The following is a summary of the 2016 goals and performance:

| <u>Description</u>   | <u>2016 Goal</u> | <u>2016 Results</u> | <u>2017 Goals</u> |
|--|------------------|---------------------|-------------------|
| <b>Number of CICA Applications</b><br><i>(Definition: Number of CIP and EDP Applications submitted to the Bank)</i>  | 120              | 85                  | 100               |
| <b>Number of ZIF Applications</b><br><i>(Definition: Number of ZIF Applications submitted to the Bank)</i>   | 10               | 8                   | 10                |
| <b>Number of distinct Members utilizing CICA or ZIF</b><br><i>(Definition: Number of distinct Members that submit a CIP, EDP or ZIF application)</i>   | 25               | 24                  | 25                |
| <b>Number of In-Person HCI Educational Sessions</b><br><i>(Definition: Number of in-person public 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 and webinars. Examples include AHP workshops, CICA roundtables, DRP town hall meetings, public forums/panels, etc.)</i> | 30               | 22                  | 25                |