2024 Targeted Community Lending Plan

FHLB CINCINNATI

Owner:
Housing and Community Investment

Policy Dates:

Current Approval Date: January 18, 2024
Current Effective Date: January 1, 2024

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PURPOSE

In accordance with the regulatory requirements of the Federal Housing Finance Agency (the Finance Agency), the Housing and Community Investment Department (HCI) has adopted this Targeted Community Lending Plan (the Plan) pursuant to the Community Support Regulation as well as Section 1291.13(a)(1) of the amended Affordable Housing Program (AHP) Regulation.

SCOPE

This Plan covers areas in need of the provision of significant financial resources, including credit for community lending activities, and the assessment of the housing and economic development needs and market opportunities occurring within the Fifth District as outlined in 12 C.F.R. Part 1290.

ROLES & RESPONSIBILITES

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 is the responsibility of HCI. Specifically, HCI is responsible for maintaining this document, promoting the Federal Home Loan Bank of Cincinnati's (the FHLB's) HCI programs, reporting to the Finance Agency, and reviewing applications for HCI resources.

MARKET RESEARCH/ASSESSMENT

The FHLB conducted online research in 2023 in order to assess the housing needs within the Fifth District as well as to understand trends in the housing market and the evolving economy across the nation as a whole. The housing needs assessments of Kentucky, Ohio, and Tennessee were independently reviewed and analyzed, in addition to The State of the Nation's Housing Report 2023 and several documents from the U.S. Department of Housing and Urban Development (HUD) detailing the current climate of the nation's housing market and goals of the federal government. Several other sources were used to assist in fully understanding the needs and changes in housing nationwide. Common themes such as racial disparities, climate readiness, housing availability, and rising costs were found across much of the literature both nationwide and within the individual state assessments. With the pandemic assistance programs coming to an end, increasing inflation rates, and an increasing number of climate disasters throughout the United States as well as within the Fifth District, these themes are becoming increasingly detrimental issues that need to be addressed, the details of which are outlined below.

Kentucky

To determine the housing needs of local communities unique to the Fifth District, FHLB looked to the most recent housing needs assessments published by the state housing finance agencies of the Fifth District. The Kentucky Housing Corporation's (KHC's) Consolidated Plan remains unchanged since 2020 and affirms what FHLB has consistently seen in that, "Overarching housing needs that remain constant over time are [for] persons with special needs,…households in the lowest income categories,…and there remains a severe shortage of affordable, decent housing." The National Low Income Housing Coalition (NLIHC) states in their 2023 report, titled "The Gap," that overall Kentucky possesses an excess of available rental units for those accruing 51 to 100 percent of the area median income (AMI), while only 46 units exist for every 100 extremely low-income households, leaving a wide gap in the resources available to those with higher incomes compared to those with the lowest incomes. KHC also placed an emphasis on the changing living dynamics within the population, with a rise in numbers of nonfamily households as well as single-person households. Higher poverty rates for families with one foreign-born parent as well as those with disabilities were also highlighted. As a result, KHC seeks to create new affordable housing, incentivize partnerships with agencies that will provide services to households with special needs, create education programs for tenants and landlords to help combat discrimination, and improve the existing housing stock, particularly because the utility and upkeep expenses for the latter create additional affordability issues for tenants and owners.

According to the World Population Review's assessment of Kentucky, the population is continuing to rise, with a steep increase in population in the urban areas, especially in and around Louisville, coupled with a slight population decline in rural areas. When evaluated by race, about 96 percent of African Americans within Kentucky are residing within Jefferson County and the Louisville Metro Area. There has also been a large increase in recent years in the Hispanic population within Kentucky. Out of these two populations, the poverty rate for African Americans is around 40 percent and around 47 percent for Hispanic individuals. The highest poverty rate of 58 percent however belongs to those identifying as multiracial, which is almost triple the poverty rate of white individuals. Additional programs are therefore needed in Kentucky to address these racial and class disparities as well as to assist the growing population in obtaining affordable housing and financial assistance.

As the population continues to rise, housing dynamics are also changing; notably in Northern Kentucky, but also throughout the nation, there has been a shift in recent years away from the standard three- to four-bedroom rental units or houses and towards one- to two-bedroom units and houses. Per the Regional Summary of the Northern Kentucky Area Development District (NKADD) Housing Data Analysis Results, the Northern Kentucky area has seen a decrease in household size since 1970, from around three and one half people per household, to its current state, ranging from 2.37 to 2.59 people per household. This is similar to the national trend of increasing numbers of smaller household sizes in addition to increasing numbers of non-familial households. The number of children attending public schools has also decreased from 2015 to 2023, supporting the idea that single-person, couples without children, and elderly households are increasing comparative to the traditional familial household. This reflects the need for a conversion in the housing supply to match the declining household size. When the current housing supply in Northern Kentucky was evaluated on both the number of bedrooms as well as the income needed to afford those units or houses without the household becoming rent-burdened, a large need was revealed for more affordable housing, particularly for renters looking for one- to three-bedroom units with a household income less than $75,000. Conversely, there is a large surplus of two- to three-bedroom ownership properties available for those with incomes $35,000 to $99,999 that is exceeding demand. Based on NKADD's Regional Summary, there is predicted to be a demand two and one half times greater for owner-occupied housing than for rental units in the next five years. It is also predicted that there will need to be about 3,025 more units or houses for those with a household income less than 60 percent of the AMI, which is about three times the amount of units than the moderate-, middle-, and higher-income groups need. These statistics align with the national need for more affordable housing for smaller households and smaller budgets.

Ohio

The Ohio Housing Finance Agency (OHFA) produced five housing needs assessments in 2022, one for each region of the state. Each of the five assessments addressed the lack of affordable housing supply for very low-income households looking to buy or rent homes, noting that only 44 affordable rental units exist in the state for every 100 extremely low-income renters and that this group is essentially priced out of most home purchase opportunities in all regions except Southeast Ohio, where homes are affordable but jobs are not plentiful. Increasingly low vacancy rates in the existing housing market are contributing to the problem, as housing stock growth has not kept up with demand. OHFA identified two segments of the population who are disproportionately likely to experience housing cost burden: minority households and those facing eviction, the latter of whom "may need to pay steep unexpected costs to acquire a new home." These two segments are therefore in need of housing assistance programs more so than other populations.

Points that OHFA emphasized as continuous throughout the five regions include the inequalities faced by Black renters and homeowners, impacts felt by children, severe housing issues, environmental impacts, and the state of the housing market. When evaluating the impacts felt by children, infant mortality rates (7.3 percent statewide), exposure to lead paint (2.3 percent of children statewide with elevated blood levels), and child homelessness (2.0 percent state average) were deemed the top issues facing children in Ohio. The reports also touched on severe housing issues faced by Ohioans, which includes the lack of affordable housing for low- to extremely low-income households[1] as well as severe housing issues as defined by HUD to include incomplete kitchen and plumbing facilities, severe overcrowding, and severe rent burden. Ohio as a state has a yearly average emission of 17 metric tons of carbon dioxide equivalent from home energy use per household, while 5.6 percent of Ohioan households rely on the Home Energy Assistance Program for help with the cost of certain utilities. Specific to Southeast Ohio, however, OHFA emphasized the success of the Columbus Scholar House, which is a housing tax credit rental development that provides housing to at-risk college students who are also parents. The Columbus Scholar House, since its opening in 2016, has expanded to Cleveland and Cincinnati, as well as to an additional location in Columbus.

The OHFA also published the Executive Summary of the 2023 Ohio Housing Needs Assessment and the Fiscal Year (FY) 2024-2025 Annual Plan in July of 2023, which outline the most recent data and trends found in the Ohio housing market. The Executive Summary confirms that the housing market has remained extremely tight throughout Ohio in the last several years, which is a result of slow construction rates and relatively low vacancy rates; from 2021 to 2022, there were only minor increases in the homeowner and rental vacancy rates. The reports also confirm the widening gap in supply and demand for affordable rental units for low-income Ohioans. In an effort to remedy this growing gap, the Ohio 2024-2025 State Budget was signed in July of 2023, which includes the initiation of two new tax credits to address the affordable housing crisis. These two new programs, titled the State Low-Income Housing Tax Credit and the Single-Family Housing Tax Credit, are predicted to help create more affordable housing for low- to moderate-income households as well as single-family homes and thereby address some of the state's housing needs.

Within the FY 2024-2025 Plan, it is cited that there are few financial resources to fund low-principal balance loans as well as rehabilitation programs throughout the state, while at the same time it is becoming difficult to maintain quality Low-Income Housing Tax Credit (LIHTC)-funded affordable units as they are entering their extended-use periods. The Plan also states that 2023 is the first year that the rate of homeownership in Ohio, which fell to 64 percent, is lower than the national average. This could be due to the median home price being 2.6 times the median household income, which was marked as the largest price-to-income ratio since 2005. These rising inequalities could be contributing to the racial gap in homeownership, which has also been widening in recent years. In 2021, the number of white homeowners was 37 percentage points higher than Black homeowners, which is eight points higher than the national average and is higher than most neighboring states. Black mortgage holders in Ohio are almost twice as likely to be severely mortgage-burdened[1] compared to their white counterparts, and Black renters are more severely rent-burdened compared to white renters (31 percent to 22 percent, respectively). Mortgage denials and eviction rates were also noted to be much higher in Black households compared to their white counterparts, as was noted in the OHFA regional reports. These gaps in racial equity in the Ohio housing market also contribute to 19 percent of the Black population in Ohio being housing insecure, which is only predicted to worsen with the expiring pandemic-era policies that assisted renters and homeowners in avoiding evictions and foreclosures. In their regional reports, OHFA points to historic patterns of redlining and segregation throughout the five regions to account for these deepening disparities and calls for targeted programs to reduce these inequalities.

[1] Severely mortgage-burdened is defined as those owner-occupied households who spend at least 50% of income on homeowner costs or having no income

Challenges to the development of the affordable rental housing market that the FY 2024-2025 plan outlines include the unpredictable labor market, disruptions to the supply chain, rising interest rates, and the high cost of building materials. To mitigate these deficiencies and also increase the supply of affordable housing for Ohioan families, OHFA cites manufactured homes and community land trusts as cost-effective development models that can serve as alternatives to the traditional site-built homes or rental units. Overall across Ohio, however, effects from the pandemic and increasing costs in several sectors are negatively impacting Ohio households, especially the most vulnerable populations, leaving an increasing need for affordable housing programs.

Tennessee

The housing needs assessment in the 2020-2024 State of Tennessee Consolidated Plan identifies seniors; persons with physical, developmental, and mental health disabilities; victims of domestic violence; youth aging out of foster care; ex-offenders reentering society; veterans; and persons living with HIV/AIDS as the most at-risk populations in the state for experiencing housing cost burden. That document cites supportive services as critical for these populations to remain safe, independent, healthy, and stable, and also indicates a need for public services such as housing counseling, job training, fair housing education and outreach, and infrastructure improvements in low- and moderate-income communities. Like Ohio and Kentucky, Tennessee identified a number of households with severe cost burden[2], as well as many experiencing overcrowding and/or a lack of complete kitchen or plumbing facilities. NLIHC's publication, "The Gap," cited 83 percent of extremely low-income renter households as being cost burdened. For these renter households, there are only 41 units for every 100 households classified as extremely low-income, compared to 103 units available for those households earning 81 to 100 percent AMI. This discrepancy is a reflection of the national trend of an increasing number of rental units being built or upgraded that target middle- to high-income households with comparatively few units being available for low- or extremely low-income households.

According to the Tennessee Housing Development Agency Issue Brief (the Brief), adults with disabilities specifically over the age of 65 are a potential target population for housing assistance. This document additionally emphasizes the high percentage of those facing rent burden and poverty, specifically in the Black and Hispanic/Latinx communities. The Brief further highlights the lack of Spanish language marketing materials and racial bias in home sales as possible barriers to Black and Hispanic/Latinx homeownership. The World Population Review's summary of the U.S. Census data also cites that 48.62 percent of the Hispanic population in Tennessee is living in poverty, which is the highest percentage compared to any other race. Innovate Memphis asserts that the high volume of predatory lenders has been negatively affecting the Hispanic/Latinx community, which fueled a push in 2022 to further educate the city on how to recognize and avoid predatory loans. Further proposed solutions to these issues

[2] Severe cost burden is defined as those who spend at least half of their income on housing

include additional fair housing education and advocacy, specifically education related to the rights and responsibilities of renters under fair housing laws as well as educational programs and materials in both English and Spanish for homebuyers to assist in recognizing discriminatory lending practices throughout the state.

Native Americans

The Native American population in the Fifth District is extremely sparse; according to the World Population Review, using data taken from the U.S. Census, less than 1 percent of the populations within Kentucky, Ohio, and Tennessee are composed of those identifying solely as Native American or Alaska Native (0.19 percent, 0.18 percent, and 0.25 percent, respectively). Of these individuals who identified themselves as Native American or Alaska Native, they are at a lower poverty rate than those who identified as Black and Hispanic throughout the Fifth District. However, it is important to note that these are solely individuals that identified as Native American and Alaska Natives on the U.S. Census – they are not a part of a Federally-recognized tribe while residing within the Fifth District per the Bureau of Indian Affairs as well as HUD, as there are no Federally-recognized tribes within the Fifth District. The U.S. Government Accountability Office (GAO) provides a list of State-recognized tribes that are not included within the list of Federally-recognized tribes, however none of these tribes are located within the Fifth District, either. HUD programs such as section 184 Indian Home Loan Guarantee Program, which was established to facilitate homeownership in Native American Communities, deemed Ohio, Kentucky, and Tennessee ineligible for these programs, as they only assist Federally-recognized tribes or those belonging to a Federally-recognized tribe. None of HUD's financial assistance programs provide aid to individuals who identify as Native American who are not a part of a Federal- or State-recognized tribe, as it is through being recognized as a tribe or affiliated with a tribe that groups' and individuals' heritage is verified.

Policy Updates

The Choice in Affordable Housing Act of 2023 was introduced to the U.S. Senate in January of 2023 and then referred to the Committee on Banking, Housing and Urban Affairs. The purpose of this bill is to increase the number of landlords who accept housing vouchers, as there has been a decline of 10,000 housing providers leaving the program each year according to a study between 2010 and 2016. This expansion incentivizes landlords to accept housing vouchers, especially in areas that have historically not accepted vouchers, such as in designated "high-opportunity neighborhoods," where the tenants could benefit immensely from the subsequent access to "quality schools, jobs, and public transportation." The Housing Choice Voucher program is already the largest program helping citizens afford safe and clean housing in the private market. The Choice in Affordable Housing Act of 2023 would support the Housing Choice Voucher program by incentivizing more landlords to accept the vouchers to reverse the decline in participating housing providers. The bill currently sits with the Committee on

Banking, Housing and Urban affairs in the Senate. Further action in the upcoming months will determine whether it will ultimately be passed into law with its bipartisan support.

The Affordable Housing Credit Improvement Act of 2023 was introduced to the House of Representatives (the House) in May of 2023 with the goal of revising elements of the LIHTC to assist communities on a larger scale. Part of the bill calls for the renaming of the LIHTC to the Affordable Housing Tax Credit in order to avoid bias that landlords may exhibit towards individuals classified as low-income. Additionally, the act would increase the per capita dollar amount and the minimum ceiling amount, make the housing credit compatible with energy tax incentives, clarify and protect provisions for residents covered by the Violence Against Women Act, and more efficiently regulate and monitor foreclosures to prevent illegitimacies. This act has also garnered bipartisan support and was referred to the House Committee on Ways and Means. Both The Affordable Housing Credit Improvement Act of 2023 and The Choice in Affordable Housing Act of 2023 are eligible to be passed into law until the 118th Congress ends on January 3, 2025.

The Green and Resilient Retrofit Program (GRRP) was funded and authorized by Section 30002 of the Inflation Reduction Act of 2022, titled "Improving Energy Efficiency or Water Efficiency or Climate Resilience of Affordable Housing," which was implemented in fiscal year 2023. The program aims to take proactive approaches in preparing low-income and affordable housing communities for climate disasters, as well as making these communities more energy efficient and eco-friendly. This is the first program from HUD to "simultaneously invest in energy efficiency, greenhouse gas emissions reduction, energy generation, green and healthy housing, and climate resilience strategies specifically in HUD-assisted multifamily housing."[3] As climate disasters are becoming more common, this initiative is working to be more proactive to protect and assist the most vulnerable populations from the economic devastation of these events. The bill will help low-income communities reduce their carbon and energy footprint to assist in meeting the U.S.'s net zero goals and will simultaneously reduce energy costs for these households. These efforts will also help improve the climate resilience of HUD-assisted low-income communities. Addressing the growing need for climate-resilient housing as well as energy efficient and green infrastructure is becoming ever more urgent as the number of extreme weather events continues to increase and low-income communities continue to be disproportionally affected.

In June of 2023, the Downpayment Towards Equity Act of 2023 was introduced to the House of Representatives and was referred to the House Committee of Financial Services. The purpose of the bill is to provide downpayment assistance to first-generation homebuyers to address the generational wealth disparities that prevent those whose parents have not owned a home from becoming homeowners themselves. The bill also cites the racial wealth gap as being an effect of generational wealth disparities, which this bill also aims to address. The Executive Branch of the federal government also announced in October of 2023 the plans for several initiatives to invest in homeownership, including proposals for the Neighborhood Homes Tax Credit; a first-

[3] *U.S. Department of Housing and Urban Development*

generation, first-time homebuyers downpayment assistance program; and a downpayment assistance pilot program to provide funding to first-generation or low-wealth, first-time homebuyers.

Racial Disparities

FHLB also looked to some publications addressing housing on a national level to assess market needs. Harvard University's (Harvard's) Joint Center for Housing Studies produced "The State of the Nation's Housing 2023," which emphasized the rising costs of homeownership and in turn has led to millions of individuals being unable to afford housing and/or shelter. Hispanic/Latinx and Black communities have been disproportionally affected compared to their white counterparts, leaving room for programs and policy to reduce these disparities in homeownership as well as renting. NLIHC cited the gap between wages and rising housing costs to be the greatest for people of color compared to other races and ethnicities. People of color are also more likely to be renters at all income levels, leaving the rising cost of rent nationwide to disproportionally affect these households. About 19 percent of Black renter households and 14 percent of Latinx renter households nationwide are categorized as extremely low-income, compared to six percent of the white renter population. Furthermore, HUD's Worst Case Housing Needs report describes an increase of 334,000 Black renter households and 246,000 Latinx renter households from 2019 to 2021, who are now considered worst-case needs,[4] compared to an increase of only 23,000 white households. Disparities in income, wealth, and access to credit are highlighted as the most common and influential barriers for Latinx and Black communities in obtaining economic and housing equality and security. Reducing racial homeownership gaps is cited as being critical to the economic health of the housing market as well as local economies. Harvard and HUD also called attention to the rising percentage of cost-burdened renters and the need for the construction of more affordable housing, which, with the rising rent prices and the end of the pandemic funding from the Federal Government, is only expected to increase.

According to the Housing and Financial Capability Survey conducted by NeighborWorks America, there has been an increase specifically among ethnic minority groups in the pursuit of homeownership. One-third of Americans are also said to be looking for new housing, with a large portion of this population being Latinx and Alaska Native American/American Indian. However, survey results show that, within the Hispanic population in particular, increasingly more people believe that their current financial situation makes homeownership unrealistic. Per Harvard's Report, Black and Hispanic homeownership rates still linger 28.6 and 25.8 percentage points below white homeownership rates. Studies conducted by the Black Home Initiative show that Black and Latinx homeownership levels are consistently lower than their non-Hispanic white and Asian counterparts at every income level within Washington state; however, these numbers are representative of a nationwide trend that extends past the Washington state lines. As

[4] Worst-case needs refer to renter households that fall at or below 50 percent of the area median income, who face inadequate living conditions and/or spend 50 percent or more of their income on rent

Harvard and OHFA described, these trends are results of a nationwide history of segregation and redlining, which can only be corrected with pointed programs to assist disproportionally affected communities in achieving economic, housing, and racial equality.

Since 2019, there have been twelve different downpayment assistance programs across the nation that target first-generation homebuyers. The National Fair Housing Alliance's research indicates that nationwide 12,200,000 families would qualify as first-generation homebuyers with incomes less than 120 percent of their AMI. Seventy-two percent of these households would be families of color, and 43 percent would be Black households. The large percentage of households of color that would qualify as first-generation homebuyers, coupled with the large gap in homeownership rates of Black and Hispanic households compared to white households, indicates that households of color have disproportionally been unable to obtain homeownership and thus unable to generate generational wealth. The Urban Institute also explains that, since households of color are less likely to have homeowning parents, the average amount of accumulated wealth per household is expected to be significantly lower for households of color, which is predicted to lead to less financial assistance for homebuying children compared to children whose parents are homeowners. The goals, therefore, of the downpayment assistance programs targeting first-generation homebuyers are to address the racial wealth gap and assist first-generation homebuyers, who are predicted to be largely households of color, in generating wealth through homeownership to be passed down through generations. Without addressing the racial homeownership gap, the National Fair Housing Alliance predicts that Black homeownership rates will continue to fall, which could lead to detrimental economic consequences across the country.

Climate Action

The need for funding for repairs and improvements for the existing housing supply, including but not limited to climate readiness, in order to mitigate and minimalize the effects of climate change is also cited in Harvard's report. In 2021 alone, damages related to climate disasters totaled $56.9 billion, yet the majority of government funding has been going towards response actions for past damages with little funding allocated to future loss prevention. It is predicted that 59.9 million homes within the United States are within areas categorized to have at least moderate predicted loss in future disasters. Within the Fifth District, these areas are primarily in Tennessee with a moderate amount in Kentucky and a few in Ohio. Harvard recommends additional funding for climate preparedness projects, which would also ensure that communities recovering from climate disasters will be more resilient in the future, as well as education of communities on their risks and prevention methods. Policies to prevent or decrease future development in high-risk areas are also needed to mitigate loss in the future. Executive Order 14008 from the desk of the President in 2021 reiterates the need for climate action through the transition of the United States energy sector to green energy sources and infrastructure to help reduce the greenhouse gas emissions and slow the U.S.'s carbon footprint. According to the Department of Energy, with 40 percent of the energy used in the United States coming from homes and commercial buildings, there is a large potential for green improvements by updating and building new energy-efficient infrastructure.

HUD's Climate Action Plan emphasizes the exacerbated affects that climate disasters already have on vulnerable populations and the pre-existing inequalities that vulnerable populations face due to historic disinvestment and racial segregation within communities. HUD details the need and its subsequent commitment within the Climate Action Plan to reduce greenhouse gas emissions, increase community resilience to climate change, deliver environmental justice, and promote racial equality, with the overarching goals of helping communities across the United States build more resilient infrastructure, facilitate more energy-friendly utility consumption, and address growing environmental injustices. HUD also plans to increase its investments in climate resilience modifications and add incentives for new construction in green building designs. According to the U.S. Department of Energy, up to 20 percent of the expenses that the average American spends on energy annually could be saved with energy-efficient appliance updates and housing improvements. Investing in these modifications and improvements could therefore reduce greenhouse gas emissions to help slow the effects of climate change, support Executive Order 14008 to meet the Federal Government's climate goals, and save renters and homeowners, especially those classified as low-income, on unnecessary utility expenses.

Mobile and Manufactured Homes

Classified as being built before June 15, 1976, there are an increasing number of mobile homes that are reaching their end of lives that are no longer an overall benefit to those who reside in them. Within the Fifth District in particular, OHFA highlighted the large percentage of mobile homes in Southeast Ohio (15 percent) compared to the state average of 3.8 percent. Per the State of Tennessee's 2020-2024 Consolidated Plan & 2020 Annual Action Plan, nine percent of Tennessee's housing stock was recorded as being mobile homes. Kentucky, however, had the highest percentage of mobile homes in the Fifth District with 12 percent of the housing market as of the 2020 Kentucky Housing Market Analysis. As mobile homes do not meet the HUD standards, there has been a push nationwide to transfer households from mobile homes into affordable and more efficient homes. Due to historic zoning policies, much of the mobile home stock is located in low-lying areas that are more prone to flooding, which serves as another detriment and expense to those that reside in them.

Manufactured homes, on the other hand, have been increasing in popularity as the alternative to mobile homes. Manufactured homes meet all of HUD's standards and do so at a price that can potentially be less expensive than site-built homes. In June of 2023, HUD introduced the Office of Manufactured Housing Programs as an independent office within the Office of Housing as a way to recognize the potential of manufactured homes to mitigate the critical shortage of affordable housing nationwide. HUD also initiated proposed changes to the HUD code in July of 2022, which would allow manufactured homes to be more accessible overall and follow more modern design standards. As described by the National Consumer Law Center, modern manufactured homes can serve as a steppingstone to long-term financial security for those in low- or moderate-income families. Especially with the new HUD regulations, manufactured homes are seen as a secure, affordable, and high-quality housing option and a particularly viable alternative for those living in mobile homes.

In their respective "Duty to Serve Underserved Markets Plan 2022 – 2024," Freddie Mac and Fannie Mae (Freddie and Fannie) list several set-backs that the manufactured housing market is currently facing as well as plans to assist in reviving this market to meet the goals set by the FHFA to address the housing crisis across the country. One of the key issues facing the manufactured housing market currently is the amount of manufactured homes titled as personal property rather than real property, as this eliminates the benefits of mortgage financing, costs borrowers more over the long term, and affords fewer consumer protections. However, since many lenders are reluctant to provide manufactured housing mortgage financing due to historic poor reputations, including poor quality of loans from the 1990s that resulted in high rates of delinquencies, defaults, and repossessions, many people interested in manufactured homeownership are only able to obtain personal property loans. Lack of comparable data used in the appraisals of manufactured homes and outdated appraisal guidelines has been leading to undervaluation of manufactured homes and overestimation of the borrower's cost burden during appraisal of manufactured housing as real property as well. Freddie and Fannie are therefore planning on enhancing the existing product offerings to increase the support for manufactured homes, conducting and publishing research to identify solutions for expanding affordable lending and access to credit, and will be seeking approval with FHFA to engage in loan purchase activity for personal property loans.

Freddie and Fannie hope that by increasing the data available to lenders on manufactured home loans during and after the forbearance time period, as well as potential trends that lead to delinquency, new systems can be created to deploy assistance to homeowners earlier to prevent delinquency as well as give lenders confidence to offer mortgage financing for manufactured homes. They also hope that, by providing new data, especially on areas not previously researched, Freddie and Fannie can help to raise the visibility and the image of manufactured housing to encourage its acceptance and its use amongst lenders as well as homeowners. Increasing their existing product offerings for the manufactured housing market as well as continuing outreach efforts and consumer protection requirements, the latter particularly for manufactured housing communities, are other ways that Freddie and Fannie are encouraging lender participation in the manufactured housing market and increasing the protections for homebuyers. Especially due to the current tightness of the housing market across the country, the affordability of manufactured homes is a vital option in providing much needed affordable housing and in closing the current gap in housing needs for very low-, low- and moderate-income households.

Cost Burdens, Housing Supply, and Housing Modifications

In the upcoming years, the United States needs to have preparations completed for the aging baby boomer generation. They will be the fastest-growing segment in the population, and there will be an increasing need for housing to support their safe aging in their communities. Accessibility modifications to their current housing would also assist households in avoiding nursing home costs. According to the Federal Reserve Bank of Philadelphia, there are about $149 billion worth of home repairs needed across the nation, with $57 billion of them needed for low-income households.

Harvard also noted the need for expansion of subsidy programs for renters to improve their efficacy, as rent costs continue to rise, and new construction targets the higher end of the rental market. Trends in Harvard's report show the increase in cost-burdened renters between 2019 and 2021 as going from 1.2 million to 21.6 million, a 1,700 percent increase. This also creates the ever more urgent need for moderately-priced rental housing. Per NLIHC's report, "The Gap," there is a shortage of 7.3 million rental homes available to those households classified as extremely low-income, leaving only 33 rental homes available and affordable to every 100 extremely low-income renter household. Along with Harvard, NLIHC attributes the rising numbers of cost-burdened households to the increasing rent prices, the stagnant or slow-increasing wages, and the end of many pandemic assistance programs. Per the Worst Case Housing Needs report published by HUD in September of 2023, the number of households with worst-case needs reached an all-time high of 8.53 million renter households in 2021, the majority of which are a product of severe rent burden. The report also cited over-crowded housing conditions as being a large problem for very low-income renters, with 92.5 percent of these households being families with children. With the ending of pandemic assistance funding coupled with rising rent for the unforeseeable future, low-income renters and homeowners will be in need of additional funding assistance to afford housing, repair homes to preserve their habitability, modify homes for the aging population, preserve existing affordable rental units, access emergency assistance when they experience financial shocks, and better establish themselves in the local economy.

As a result of the aforementioned, the FHLB has made the following determinations with regards to affordable housing and community development needs in the Fifth District in 2024:

1. There is an increasing need for the subsidy offered via the FHLB's Housing and Community Investment Programs (HCI Programs), particularly for development and preservation of affordable housing for low- and extremely low-income households and vulnerable populations such as those with special needs, the aging population, homeless individuals and households, and veterans (especially disabled veterans);
2. There is also an increasing demand for supportive services for the aforementioned vulnerable populations (note: this is not an eligible use of subsidy under any of the FHLB's HCI Programs);
3. There is continued demand for funds for owner-occupied rehabilitation and preservation of existing affordable rental housing;

4. Economic development continues to be an area of import as evidenced by the U.S. Treasury's designation of approximately 12 percent of all census tracts (~8,700 census tracts) as Opportunity Zones;[5]
5. There is a need for general liquidity and capacity building by organizations such as Community Development Financial Institutions (CDFIs), Community Housing Development Organizations and smaller (as defined by asset-size and number of employees) non-profit affordable housing providers and community development enterprises;
6. There is a significant need for programs and subsidy to target mobile home replacement, a need which may be met through replacement with manufactured, modular, and site-built housing; and,
7. There is also a need for the FHLB to modify its programs or create a new targeted program to address disparities in housing cost burden and homeownership rates for minority households.

See the section titled *"Summary of Identified Needs"* below for a more exhaustive list of specific needs.

SUMMARY OF IDENTIFIED NEEDS

The FHLB has identified credit needs and market opportunities in economic development lending in three sectors: real estate financing needs, business financing needs, and specialized financing needs. The following summarizes the needs in each area and includes in parentheticals the program or programs FHLB uses to support solutions to these needs, if any:

Real Estate Financing Needs

1. Fixed rate financing at low-interest or guaranteed rates for construction and permanent financing (regular FHLB advances, CIP, EDP, ZIF, AHP);
2. Infrastructure improvements and neighborhood revitalization (ZIF, DRP);
3. Pre-development funding sources for commercial and mixed-use real estate development (CIP, EDP, ZIF);
4. Childcare/daycare facilities, freestanding and within affordable housing developments (CIP, EDP, ZIF);
5. Real estate financing for newly constructed, affordable owner-occupied and rental housing development, as well as the preservation of existing affordable units (AHP, WHP, CIP, EDP, ZIF, CMPHF, DRP);

[5] https://opportunityzones.hud.gov/#:~:text=There%20are%208%2C764%20Opportunity%20Zones,lack%20of%20investment%20for%20decades.

6. Funds for rehabilitation of existing housing, especially for special needs and elderly households, including climate resilience and energy-efficiency renovations (AHP, ZIF, CMPHF, DRP);
7. Subsidy for projects providing supportive services and serving special needs and homeless households (AHP, ZIF, CMPHF, DRP, CIP);
8. Rural medical and health facilities financing (CIP, EDP, ZIF);
9. Transitional housing for persons leaving rehabilitation or other protected environments to assist in reintegrating into society (AHP, ZIF, CIP);
10. Funds to bring vacant properties back into occupancy, especially those vacant because of foreclosure (AHP, ZIF, DRP, CIP);
11. Financing for affordable family housing in quality school districts (AHP, WHP, CIP, ZIF, CMPHF, DRP, RUP);
12. Funding to increase the supply of homes at entry-level price points (AHP, ZIF, DRP);
13. Housing for extremely low-income populations (AHP, ZIF, CMPHF, DRP);
14. Housing in urban areas (AHP, WHP, CIP, ZIF, CMPHF, DRP, RUP);
15. Housing for families (AHP, WHP, CIP, ZIF, CMPHF, DRP, RUP);
16. Assistance with rising costs of construction materials and labor (AHP, CIP, CMPHF);
17. Workforce housing (AHP, ZIF, CMPHF, DRP, CIP, RUP);
18. Financing in support of energy efficient and climate resilient housing (AHP, CIP, CMPHF, DRP, ZIF); and,
19. Financing for one- and two-bedroom ownership and rental housing (AHP, WHP, CIP, ZIF, CMPHF, DRP, RUP).

Business Financing Needs

1. Equity investments (venture capital, liquidity, micro-loans) for business startup and expansion, especially in rural and Appalachian communities (Not Currently Addressed);
2. Loan guarantee programs and lender consortia (FHLB letters of credit);
3. Pre-development funding sources for small business development and expansion purposes (ZIF);
4. Disadvantaged business development financing, i.e., additional credit resources to provide capital for minority, women-owned, and disadvantaged business formation (Not Currently Addressed);
5. Working capital for micro and small businesses (ZIF);

6. Alternative crop financing (CIP, EDP, ZIF); and,
7. Expansion of CDFI loan funds (Not Currently Addressed).

Specialized Needs

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

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

2024 HCI PROGRAMS

In 2024, the FHLB will continue to offer the following HCI programs:

[6] Additionally, the FHLB is a member of CONVERGENCE Memphis and CONVERGENCE Columbus, which are initiatives in each of those cities to increase the African American homeownership rate.

[7] "Mobile Home" refers to a residential structure manufactured prior to the enactment of the Federal Manufactured Housing and Construction Standards, also known as the HUD Code, on June 15, 1976.

Community Investment Program and Economic Development Program

Both the CIP and EDP provide discounted Advances to encourage Members to increase their involvement in housing and economic development projects. In addition to discounted Advances, discounted Letters of Credit ("LOCs") are also available under both programs.

Zero Interest Fund

The FHLB continues to offer the ZIF, a $2 million revolving loan fund, which provides zero-interest, short-term loans of up to $100,000 per project to cover upfront infrastructure costs on residential and economic development projects.

Affordable Housing Program

The AHP is our largest and most impactful initiative with over $638 million disbursed to more than 85,000 units of affordable housing.[8] AHP offers grants and discounted Advances to assist with the funding of new construction, acquisition, rehabilitation, or a combination thereof of ownership and rental housing serving very low-, low- and moderate-income households. FHLB offers webinars and workshops, attends outreach events, and participates in panel discussions to promote this program.

Welcome Home Program

The WHP offers grants to fund reasonable down payments and closing costs incurred in conjunction with the acquisition or construction of owner-occupied housing by low- and moderate-income homebuyers. It continues to be our most popular program based on Member usage. Webinars covering the program will be offered again in 2024.

Carol M. Peterson Housing Fund

The CMPHF provides grants up to $20,000 per homeowner to fund accessibility and emergency repairs for low- and moderate-income homeowners with special needs or who are elderly. This voluntary program is so popular that funds are typically fully requested in less than one day. Since its inception in 2012, the program has disbursed nearly $19 million to 2,635 households. FHLB will continue to promote this program via a webinar.

Disaster Reconstruction Program

The DRP offers grants of up to $20,000 to homeowners and renters in the Fifth District to assist with the purchase, construction, or repair of primary residences destroyed or damaged by federally- or state-declared disasters. The program will continue to be promoted via webinars, Member and Sponsor outreach meetings, and the FHLB website.

In 2024, the FHLB will also work towards offering the following pilot program:

[8] Figures are as of November 30, 2023, and include both the AHP and the Welcome Home Program.

Rise Up Program

The RUP offers grants to assist eligible households with downpayment and closing costs for homes purchased in Franklin County, Ohio. The incomes for participating households must be at or below 120 percent of the AMI for Franklin County. This pilot program aims to address the racial homeownership gap for Black and minority homeowners and to promote the growth of intergenerational wealth that has been delayed for Black and minority households due to historical segregation and discrimination. This program will be promoted via webinars, email notifications, and the FHLB website.

NON-LENDING ACTIVITIES

Technical Assistance

The FHLB will continue to provide ongoing funding resources, information, and technical assistance to Members and their partners in support of economic development and community lending activities. The technical assistance may include project structuring and developing relationships between resource representatives and Members.

Education and Training

The FHLB will continue to provide or participate in a variety of educational and training opportunities for Members and Sponsors involved in community lending. The training will be in the form of informational seminars, webinars, conferences, and other meetings co-sponsored with partnership organizations and others.

Research

The FHLB will continue to stay abreast of ongoing research to assess unmet credit needs and market opportunities occurring throughout the Fifth District. The FHLB accomplishes this primarily through publicly available market information, such as the state housing finance agencies' Housing Needs Assessments, attendance at industry events, informational exchanges with other Federal Home Loan Banks and, of course, engagement with its Affordable Housing Advisory Council. The FHLB will also continue to assess the performance of each of its HCI Programs.

Information Dissemination

The FHLB will continue to utilize its website, www.fhlbcin.com, webinars and workshops to inform Members, community organizations, small businesses, and entrepreneurs about pre-development and financing resources, business development opportunities, and other technical assistance resources available through the FHLB. The FHLB will communicate information in FHLB publications about successful programs and projects to encourage participation by Members and partners in economic development activities.

PERFORMANCE GOALS

The Community Investment Cash Advance regulation requires the FHLB to develop annual performance goals and measurable achievement standards. The following is a summary of the 2024 goals and performance against its 2023 Plan goals as of December 5, 2023:

Description	**2023 Goal**	**2023 Progress**
Number of CICA Applications *(Definition: Number of CIP and EDP Applications submitted to the Bank)*	10	52
Number of distinct Members utilizing CICA or ZIF *(Definition: Number of distinct Members that submit a CIP, EDP, or ZIF application)*	5	13
Number of HCI Outreach Events *(Definition: Number of meetings in which educational material on one or more of the FHLB's HCI programs are presented. This goal excludes individual FHLB visits to an organization or individual. Examples include AHP workshops, CICA roundtables, public forums/panels, etc.)*	40	17

As part of the Bank's proposed 2024 Incentive Compensation Plan (ICP), the Bank has adopted the following goals related to the mission of the HCI Department:

	Threshold	Target	Maximum
New CICA/ZIF Users	6 members	12 members	18 members
Voluntary Program Disbursement	65%	80%	90%