

Business Opportunities in Community Development Lending

Putting the Pieces Together:

How the FHLB Boston Can Help

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Today's Topics

- Introduction to FHLB Boston
- Issues Related to Lending
- Community Lending Opportunities & Challenges
- Value and benefits of Community Investment Programs that facilitate business opportunities
- FHLB Boston and partners produce real results

FHLB Boston

- A cooperatively-owned, wholesale bank
- Served shareholders since 1932; 463 members
- Over \$50 billion in assets (12/31/2011)
- Provide reliable funding and liquidity products and services that facilitate housing and economic growth
- Administer Housing and Community Investment Programs
- Over 20 years of working with members and housing developers

Membership Profile

463 Members: 212 thrifts, 154 credit unions, 70 commercial banks, 27 insurance companies



Massachusetts
 239 members
 Advances: \$9.4B
 Capital Stock: \$1.1B



New Hampshire
 34 members
 Advances: \$1.1B
 Capital Stock: \$104M



Connecticut
 78 members
 Advances: \$4.0B
 Capital Stock: \$493M



Vermont
 29 members
 Advances: \$0.4 billion
 Capital Stock: \$58M



Maine
 61 members
 Advances: \$2.1B
 Capital Stock: \$183M



Rhode Island
 22 members
 Advances: \$6.9B
 Capital Stock: \$1.7B

Challenges to Residential Lending

- Declining property values and foreclosures heighten difficulty in refinancing
- Weakened consumer confidence, combined with real-estate market and unemployment uncertainty, has led to philosophical and cultural changes around renting versus purchasing a home
- Uncertainty extends to the secondary market (GSE Reform)

Challenges to Small Business Lending

- Banks are flushed with deposits, and contrary to media reports, are lending to those with good credit
- Businesses hesitant to borrow or expand during this time of economic uncertainty
- Small businesses unable to tap family, friends, credit cards, or home equity for funding needed to enhance bankability to secure lending
- Municipalities concerned with improving small business access to credit and increasing collaboration between public and private enterprises

Community Lending Opportunities

- New business relationships
- New business expertise, gain new markets
- Maintain competitiveness in changing marketplace
- New business and loan growth
- Partner and catalyst creating new community assets, community impact
- Reach underserved markets
- Community Reinvestment Act
- Public relations

Community Lending Challenges

- Lending or investing in nonprofits in this economy
- May not fully understand line of business
- Longer development timeline
- Complexity of other funders and regulations
- Public review; NIMBY
- Environmental concerns
- Limited cash flows
- Lower appraised values due to other use restrictions
- Harder to liquidate the asset

Housing & Economic Growth

- Housing and Community Investment Programs:
 - Affordable Housing Program (AHP)
 - Equity Builder Program (EBP)
 - Community Development Advance (CDA and CDA Extra)



AHP Overview

- Funded through 10% of the Bank's annual net earnings
- Provides grants and subsidized loans for affordable housing production and preservation that serves very low-, low-, and moderate-income families
- Supports all rental and homeownership housing models
- Members underwrite and submit applications with developers
- Competitive funding round, over \$13.7 million subsidy in 2012
- Income eligibility/restrictions and reporting

AHP Overview

- Direct Subsidy (grant) can be used as capital or equity
- Subsidized Advance is a reduced interest rate loan made to the member to reduce the interest rate on the project's permanent debt
- Can combine both in one project and be used for:
 - Acquisition, hard and soft construction costs, and rehabilitation
 - Down-payment and closing-cost assistance, interest rate buy-down, developer fee, and certain home-buying counseling costs for AHP units

AHP Direct Subsidy

- A grant for housing development
- Secured by member using subordinate FHLB Boston mortgage and note
- 15-year term for rental housing/regulatory compliance
- 5-year term for ownership housing/reg. compliance
- Typically used and disbursed during development/construction

AHP Subsidized Advance

- Member borrows at AHP-discounted rate
- Supports permanent lending of the same term and amortization at a lower rate
- Member earns the credit spread they require
- The loan is in first position
- Uses standard mortgage documents with the AHP rider
- Minimum 10-year term, up to 20 year term, 30 year amortization
- Forward-rate commitments are available
- 15-year AHP regulatory compliance for rental



**Berkshire Veterans Residence
Pittsfield, Massachusetts**

**Legacy Banks
United Veterans of America, Inc.**

**70 apartments with supportive services for
Homeless veterans
\$274,000 AHP Direct Subsidy
\$274,000 AHP Subsidized Advance using
\$101,718 interest-rate subsidy**





**Sandywoods Farms
Tiverton, Rhode Island**

**BankNewport
Church Community Housing**

Fifty units of affordable housing plus library, art gallery, community center, and recreational preserve.
\$400,000 Direct Subsidy
\$2.6 million Subsidized Advance using
\$393,391 interest-rate subsidy



**Olde School Commons
Bridgeport, Connecticut**

**Webster Bank, N.A.
United Cerebral Palsy Association of
Southern Connecticut**



24 affordable apartments serving people with disabilities and low-income individuals.
\$240,000 AHP Direct subsidy
\$510 AHP Subsidized Advance using
\$253,934 interest-rate subsidy

EBP: Grants for Homeownership

- Individual grants up to \$10,000 for the purchase of a home facilitated through members,
- A separate set-aside of the Bank's Affordable Housing Program -- \$2.4 million available in 2012
- Builds off members' existing residential mortgage products, helps to expand residential lending
- Three keys to the program:
 - Member's mortgage product with concession(s);
 - Income eligibility (80% AMI); and
 - Homeownership counseling

EBP Benefits

- Assists home buyers that qualify for a mortgage, but lack funds for down payment and/or closing costs
- Supports members' existing mortgage program
- Can be used in conjunction with other subsidy and down-payment assistance programs
- List of participating members can be found on FHLBoston.com

CDA Program

The CDA Program has two options to provide financing for predevelopment, purchase, construction, rehabilitation, or refinance: CDA and CDA Extra

- Housing (residential)
- Economic Development (nonresidential)
- Mixed Use (combination of residential & nonresidential)
- Eligibility based on geographic and targeted beneficiaries of the funds

Program Benefits

Benefits :

- Bank's lowest cost advances
- Expand community development lending
- Meet the credit needs of communities
- Easy to find qualifying loans

Allows you to:

- Compete on term
- Lock in spread and term
- Mitigate interest rate risk
- Provide lower cost of funding to community
- CRA benefits

Rates

- CDA is a discounted advance
- CDA Extra is a deeper discounted advance
- Available as Classic (bullet), amortizing, and member option advances
- CDA/CDA Extra available in terms from one year to 20 year maturity/30 year amortization

Long-Term	Short-Term	Amortizing	Advance Specials	
Long-Term Classic Advance Rates				
Effective 09:49 AM				
March 27, 2012				
Term	Reg.	CDA	CDA Extra	NEF
1yr	0.45	0.36	0.32	0.43
2yr	0.77	0.56	0.51	0.75
3yr	1.04	0.82	0.76	1.02
5yr	1.66	1.45	1.37	1.64
7yr	2.33	2.11	2.01	2.31
10yr	3.07	2.85	2.72	3.05
15yr	3.94	3.75	3.58	3.92
20yr	4.25	4.11	3.89	4.23

For Current Rates: <http://www.fhlbboston.com/rates/advances/index.jsp>

CDA for Housing

Member:	Bank of America
Eligibility:	51% of units occupied by families with incomes at or below 115% AMI
CDA Funds:	\$647,000
Location:	Dorchester, MA



Refinance of a four-story building that will provide 27 affordable housing rental units. All units will be targeted to households earning at or below 80 percent of the area median income.

CDA for Economic Development

- Member:** Passumpsic Bank
- Eligibility:** Small Business Initiatives
- CDA Funds:** \$6,000,000
- Location:** New Hampshire/Vermont



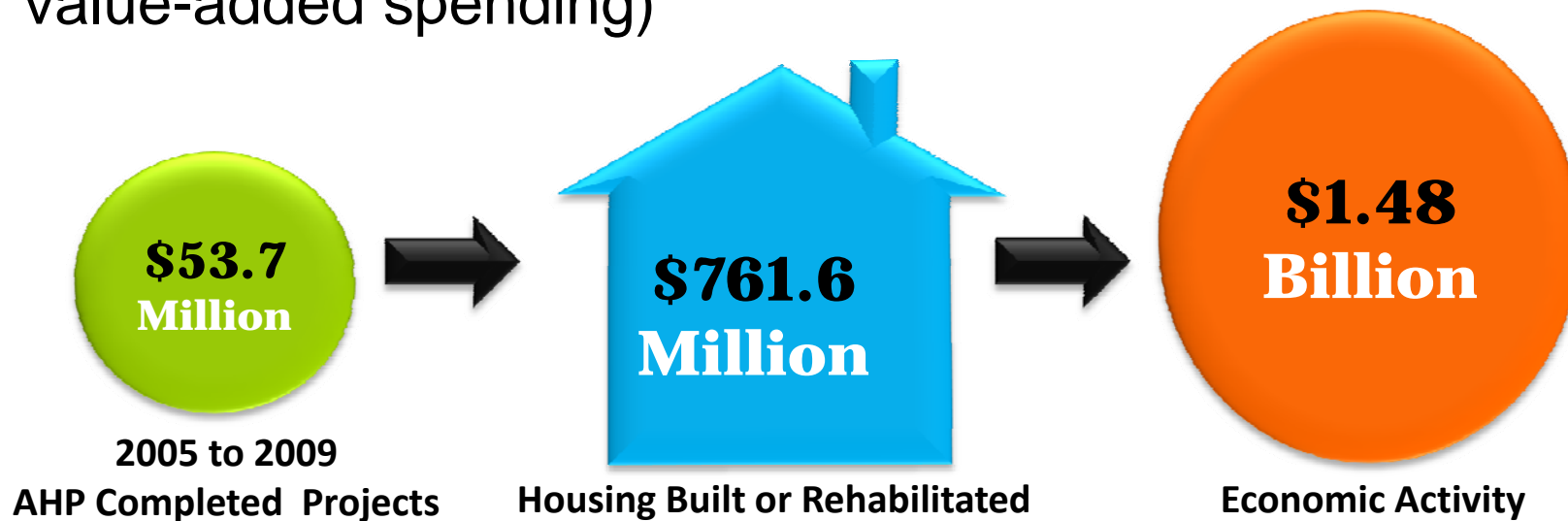
Financing to support small business initiatives located through out Vermont and New Hampshire, including Lyndon Rescue in Lyndon, Vermont. Lyndon Rescue is an ambulance service with 35 employees providing medical transportation across a 560-square-mile area of northeastern Vermont. 22

Double-bottom line

- FHLB partnership model encourages public/private collaboration to expand community lending—provides capital for difficult to finance transactions
- Members receive a financial return on their investment and meet the credit needs in their communities
- Communities receive a sustainable asset that meets the needs of its residents and stabilizes neighborhoods; creates local jobs
- Investments in the community have an economic ripple affect that benefits everyone; the process can be replicated

AHP Plays Important Catalytic Role Creating Affordable Housing and Boosting Economy

- For every \$1 million of AHP funding, \$14.2 million of housing is built or rehabilitated
- Each \$1 million of AHP funding contributes to generating \$27.6 million total output (including ripple effect of job creation and value-added spending)



Affordable Housing Programs

\$Millions	CT	MA	ME	NH	RI	VT	Total
Community Development Advances							
\$ Disbursed	\$1,853.3	\$6,903.7	\$1,013.5	\$684.8	\$351.3	\$617.4	\$11,424.0
Small Business Funding	\$473.0	\$1,316.5	\$561.8	\$192.1	\$78.3	\$287.0	\$2,908.7
Total CDA Housing Units	10,511	51,158	7,555	7,831	2,764	4,576	84,395
Affordable Housing Program							
Direct Subsidy/Grant	\$22.4	\$77.4	\$24.9	\$13.1	\$9.3	\$10.9	\$158.0
Subsidized Advances	\$25.8	\$88.9	\$10.5	\$13.3	\$19.1	\$20.8	\$178.4
Total AHP Subsidy	\$28.6	\$93.6	\$27.8	\$16.2	\$13.8	\$15.6	\$195.6
Total AHP Units	3,147	13,250	2,576	1,435	1,154	1,584	23,146
Equity Builder Program							
\$ Disbursed	\$1.6	\$7.0	\$2.1	\$1.2	\$0.9	\$2.9	\$15.7
Total EBP Units	159	737	203	91	72	258	1,520
Total Housing Units	13,817	65,145	10,334	9,357	3,990	6,418	109,061

Where to Get More Information

HCI Department Contacts

Ken Willis, FVP/Director	617-292-9631	
Mary Ellen Jutras, AVP/Deputy Director	617-292-9607	
Theo Noell, Manager of Programs & Outreach	617-292-9668	(Fairfield, Hartford, Litchfield, & New Haven County CT)

Community Investment Managers

Tobi Goldberg	617-292-9653	(ME & Essex County MA)
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Paulette Vass, CDA Manager	617-292-9792	
www.fhlbboston.com	1-800-424-3863 (toll free)	