

# Business Opportunities in Community Development Lending

Innovations in Community Development Finance

Elements of Successful Regional Projects & Trends

March 28, 2013,  
First Vice President, Kenneth A. Willis

# Agenda

- Introduction to the Federal Home Loan Bank of Boston
- The Affordable Housing Program
- Elements of Successful projects from the portfolio
- Housing trends from the most recent AHP funding round in 2012 – Rhode Island surging
- Conclusion

# FHLB Boston

- A cooperatively-owned, wholesale bank
- Served shareholders since 1932; 453 members
  - Members consist of thrifts, commercial banks, community banks, credit unions, insurance companies, and CDFIs
- Over \$40.2 billion in assets (12/31/2012)
- Provide highly reliable wholesale funding and liquidity to support the residential-lending and community development lending activities of our members
- Administer housing and community investment programs that facilitate economic growth and neighborhood revitalization

## Membership Profile

**453 Members:**

**205 thrifts, 155 credit unions, 65 commercial banks, 27 insurance companies, 1 CDFI**



### Massachusetts

234 members  
Advances: \$9.7B  
Capital Stock: \$1.1B



### New Hampshire

30 members  
Advances: \$1.1B  
Capital Stock: \$93M



### Connecticut

77 members  
Advances: \$5.7B  
Capital Stock: \$501M



### Vermont

28 members  
Advances: \$0.4B  
Capital Stock: \$57M



### Maine

61 members  
Advances: \$2.1B  
Capital Stock: \$176M



### Rhode Island

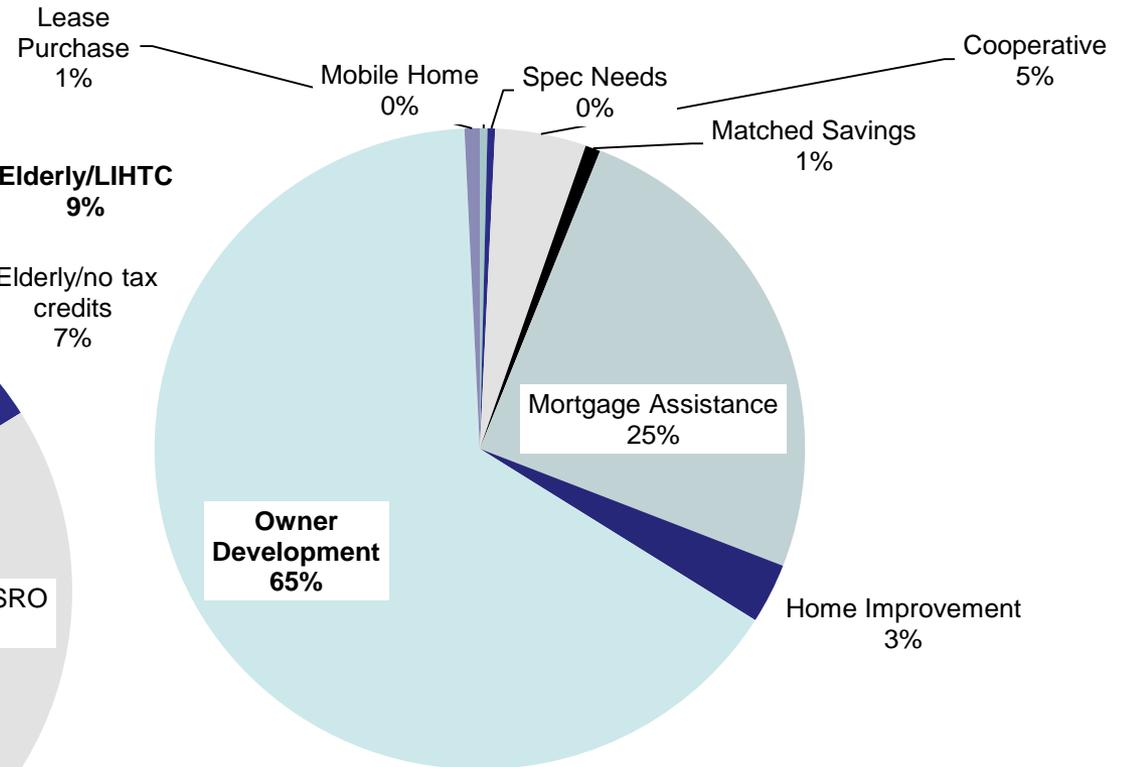
22 members  
Advances: \$1.7B  
Capital Stock: \$1.5B

# Affordable Housing Program

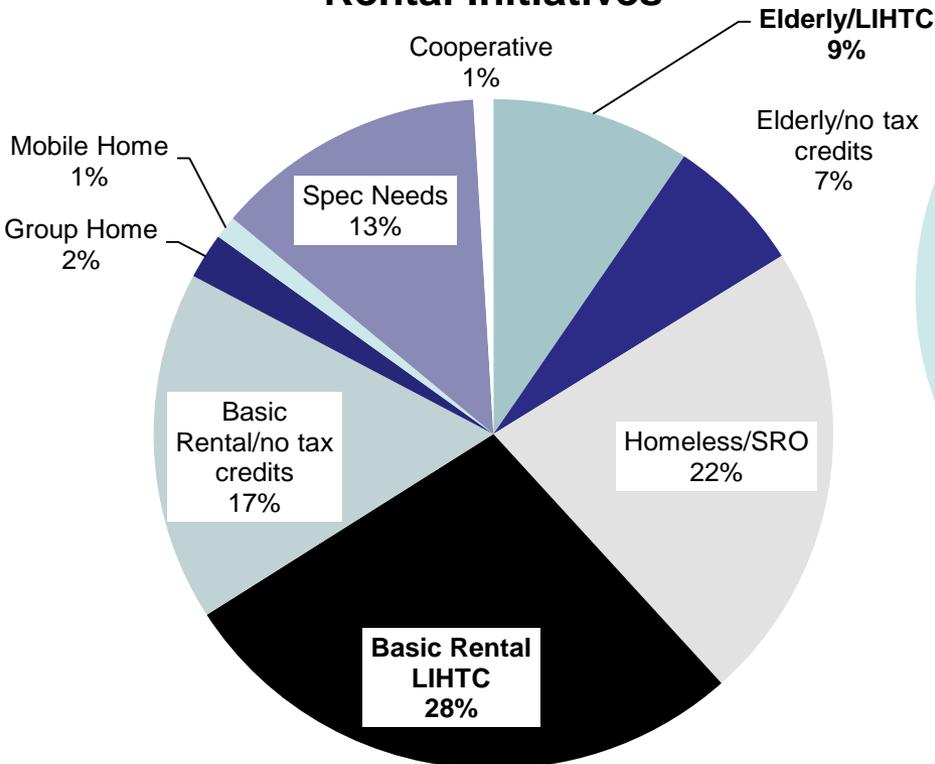
- Created in 1989 to provide grants and subsidized loans for affordable rental and ownership housing for very low-, low-, and moderate-income households
- Bank contributes 10 percent of its net earnings to capitalize the program - \$18.2 million for 2013
- Funds are used for acquisition, hard and soft construction costs, rehabilitation, down-payment and closing-cost assistance, interest-rate buy-down, developer fee, and eligible home-buying counseling
- Annual competitive funding round, with members underwriting and submitting applications with housing developers

## AHP: 1990-2012

### Homeownership Initiatives



### Rental Initiatives



## Key Trends from 2012 AHP

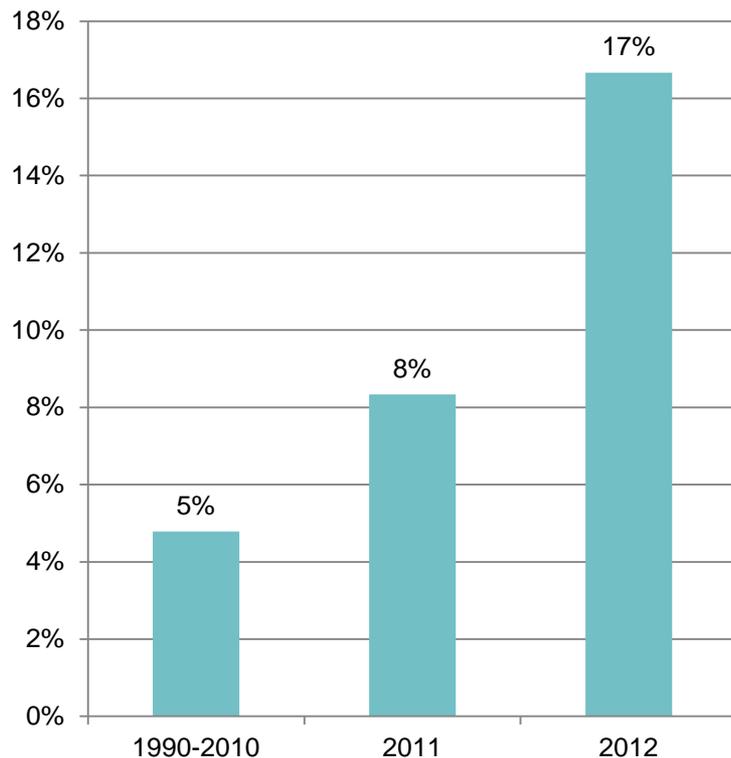
- Trends in New England and RI mirror what's happening nationally
- The Great Recession, while technically over, has profoundly changed housing for the foreseeable future
- Significant gaps in housing affordability remain as measured by housing wage versus HUD FMR
- Cross section of applications combining housing, healthcare, transportation, education, and jobs
- Sustainable development (green building and smart growth) becoming the norm

## Key Trends from 2012 AHP

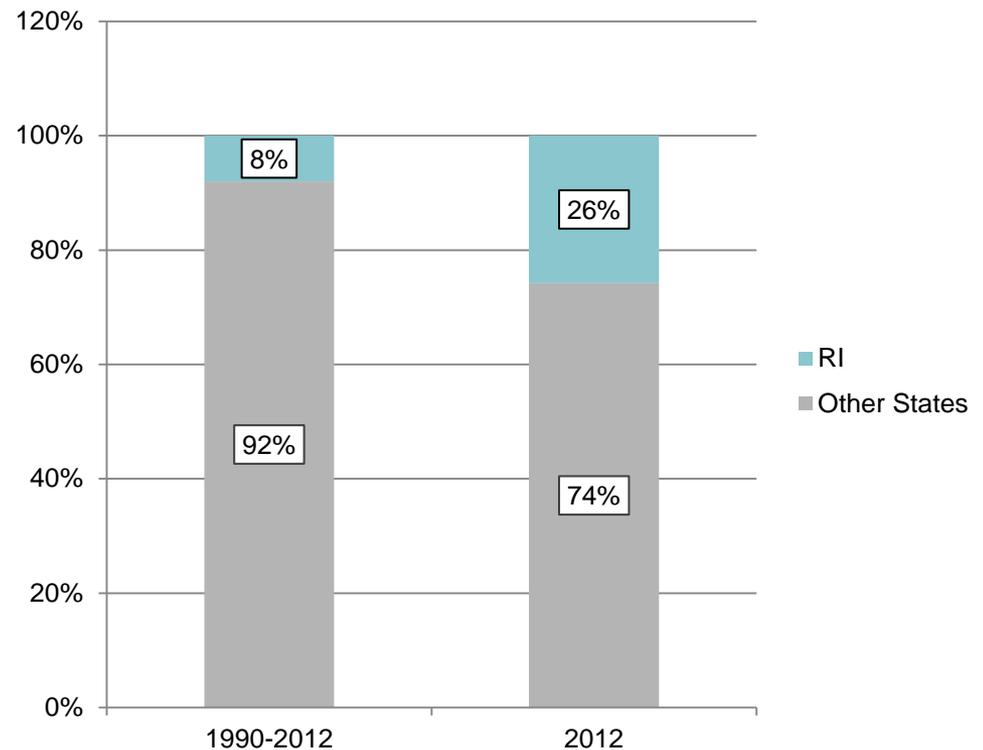
- Returning to more balance in type of housing initiatives being developed (rental vs. ownership)
- LIHTC projects have returned
  - Yields are increasing
  - Risk appetite, controls, and underwriting remain conservative
  - Increase is Expiring Use recapitalization/refinancing
- Housing developers and members are leveraging the AHP indicating strong public/private partnership
- Preservation of affordable housing and revitalizing foreclosed properties

# Rhode Islanders succeed with AHP

**Strong Growth in RI AHP Awarded Applications**



**Total AHP Funds Awarded in RI Are Growing Faster**



## 2012 AHP Trends – Overall and RI

Preservation – RI and overall --53% Units Funded

LIHTC- 50% Rental Applications in RI (40% overall)

Homeownership/  
Rental balance –  
18 of 48 apps  
(38% overall; 2  
of 8 in RI), (115  
Units overall)

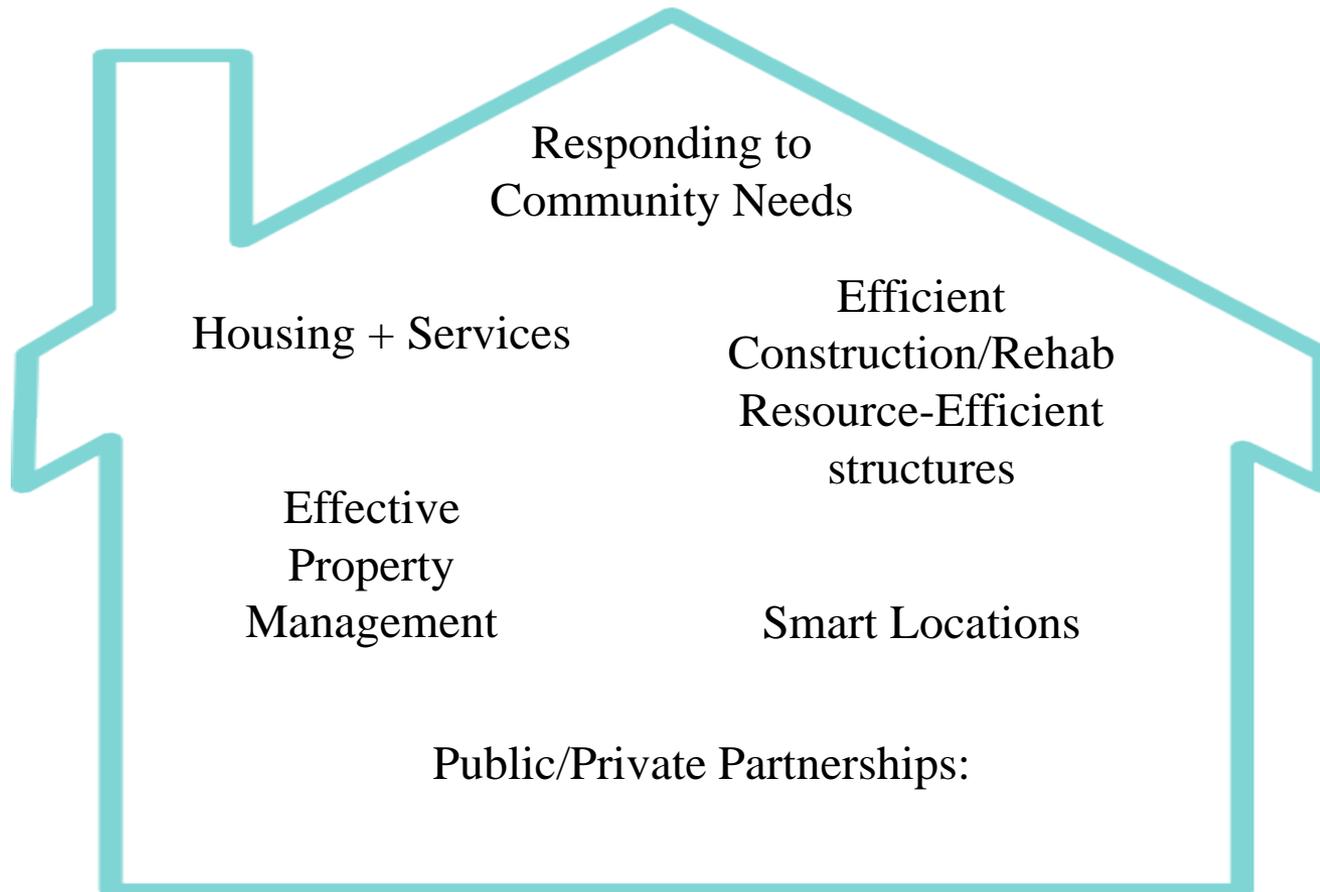


Partnership among Funders,  
Service Providers  
50% of all RI Awards requested  
both grant and subsidized loans  
(40% overall)

Smart Growth  
Locations,  
Sustainable  
Development,  
Efficient Building  
Operations  
100% of Approved  
Applications

Homeless/Veterans  
Housing  
100% of Approved  
Applications

# What Makes Affordable Housing Successful?



**Marshfield Commons  
North Smithfield, Rhode Island**

**Navigant Credit Union  
Bank of America Rhode Island, NA  
NeighborWorks Blackstone River Valley**



38 affordable town-house style apartments  
\$400,000 AHP Direct subsidy  
\$625,000 AHP Subsidized Advance using  
\$254,530 interest-rate subsidy



## **Blackstone Valley Gateways II 2012 Pawtucket, Rhode Island**

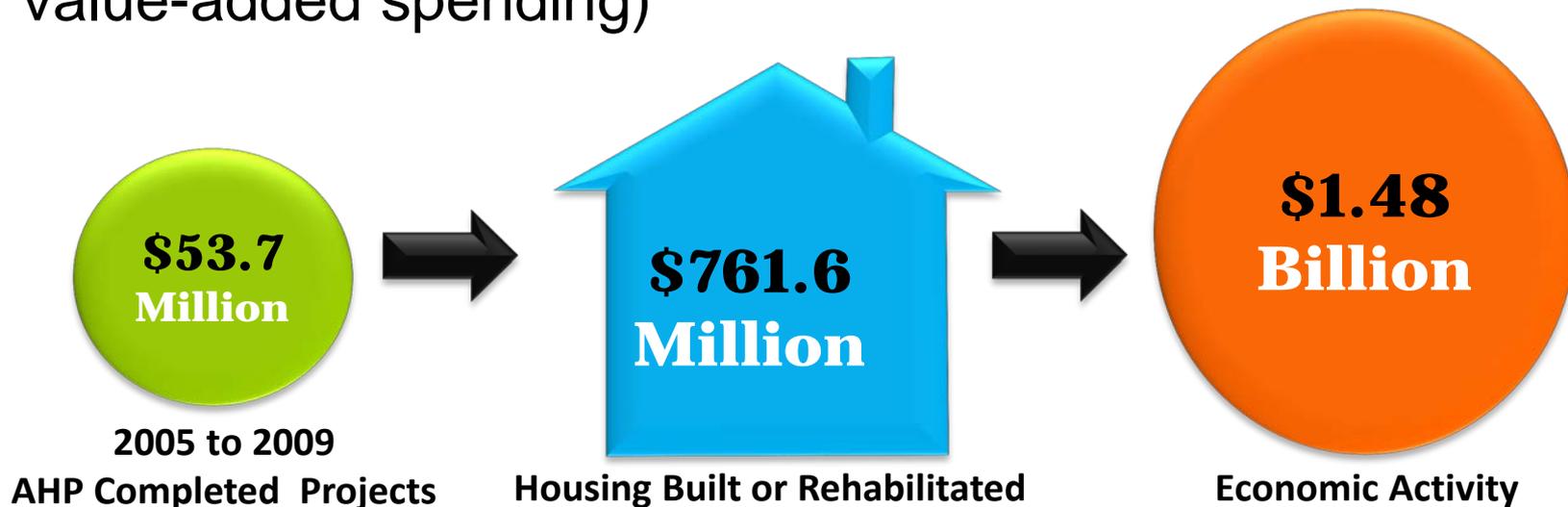
**Pawtucket CDC  
Pawtucket Credit Union**

41 scattered-site rental units  
\$400,000 Direct Subsidy  
\$175,000 Subsidized Advance  
\$56,322 interest-rate subsidy



## 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)



# FHLB Boston Double-Bottom Line

- FHLB Boston's Housing and Community Investment programs allows for social innovation:
  - Provides private capital to expand community development lending, while helping to limit risk
  - Encourages public/private partnerships to finance complex affordable housing and economic development projects
  - Communities receive sustainable asset that meet the needs of its residents and stabilizes neighborhoods
  - Investments in community assets have an economic ripple effect that benefits everyone
  - Programs are flexible and developed to meet CRA

## For More Information:

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