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

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

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

New Hampshire
30 members
Advances: $1.1B
Capital Stock: $93M

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

Rhode Island
22 members
Advances: $1.7B
Capital Stock: $1.5B

As of 02/28/13
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

Rental Initiatives

- Spec Needs: 13%
- Basic Rental LIHTC: 28%
- Homeless/SRO: 22%
- Group Home: 2%
- Mobile Home: 1%
- Elderly/LIHTC: 9%
- Elderly/no tax credits: 7%
- Cooperative: 1%

Homeownership Initiatives

- Owner Development: 65%
- Mortgage Assistance: 25%
- Home Improvement: 3%
- Mobile Home: 0%
- Spec Needs: 0%
- Matched Savings: 1%
- Cooperative: 5%
- Lease Purchase: 1%

Federal Home Loan Bank of Boston
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

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<tr>
<th>Year</th>
<th>1990-2010</th>
<th>2011</th>
<th>2012</th>
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<tbody>
<tr>
<td>Percentage</td>
<td>5%</td>
<td>8%</td>
<td>17%</td>
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Total AHP Funds Awarded in RI Are Growing Faster

<table>
<thead>
<tr>
<th>Period</th>
<th>RI</th>
<th>Other States</th>
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<tbody>
<tr>
<td>1990-2012</td>
<td>8%</td>
<td>92%</td>
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<tr>
<td>2012</td>
<td>26%</td>
<td>74%</td>
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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?

- Responding to Community Needs
- Housing + Services
- Effective Property Management
- Efficient Construction/Rehab
- Resource-Efficient structures
- Smart Locations
- Public/Private Partnerships:
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)

Source: New England Market Research, Inc. and I² Community Development Consulting
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
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