

2019 Community Lending Plan

December 2018



Executive Summary

The Federal Home Loan Bank of Pittsburgh (Bank) is pleased to provide its 2019 Community Lending Plan (Plan). The Plan provides an outline of the Bank's proposed activities for 2019 that will assist its members in reaching their housing and community development goals for the communities they serve.

The Federal Housing Finance Agency (FHFA) Community Investment Cash Advance (CICA) regulation requires each Federal Home Loan Bank (FHLBank) to complete an assessment of the credit needs and market opportunities for community lending in its district. The regulation also requires each FHLBank to develop an annual plan on or before January 31 of each year. The plan must be approved by the FHLBank's Board of Directors and submitted to the FHFA. While encouraging the FHLBanks to develop new programs and initiatives, the regulation ultimately promotes renewed participation by members in local housing and community development activities.

Within this Plan, the Bank provides a summary of the credit needs and market opportunities identified by the Bank for its district, which includes Delaware, Pennsylvania and West Virginia. The development of the 2019 plan considered a variety of information sources including the Bank's Strategic Plan and the 2014 Housing Needs Assessment.

The Bank continues to offer our "community dividend" to support affordable housing and community investments, which includes a suite of products and initiatives that provide members the resources needed to expand their lending and investing in affordable housing and community development. These community-related offerings are funded through the Bank's earnings either through a required annual contribution to the Affordable Housing Program (AHP) and the First Front Door (FFD) Program; or discretionary Bank contributions to programs such as Banking On Business (BOB), Blueprint Communities[®] and the newly launched Home4Good product. The products and programs offered by the Bank are important to our membership and the communities they serve.

In 2019, the Bank will continue efforts to assist our members and other stakeholders in the district to address the increasing challenges for affordable housing and community development.

Market Assessment

The Bank's Strategic Plan and Housing Needs Assessment are the primary tools used to evaluate the credit needs and market opportunities in its three-state district. In addition, other secondary data sources and inputs from key stakeholders are employed in order to stay abreast of market changes and opportunities. These other sources include:

- State Consolidated Plans
- National housing studies
- Affordable Housing Advisory Council (Council) consultation
- Engagement of strategic partners

Strategic Plan

The Strategic Plan starts with the statement of the Bank's mission which is to assure the flow of credit to members to support housing finance and community lending, and provide related services that enhance their businesses and vitalize their communities.

One of the Plan's five strategic objectives is to deliver member value and that objective includes increasing Bank product usage and building strategic relationships. Providing a relevant mix of community investment products that help our members achieve their community investment objectives is an important resource. At the same time developing and maintaining relationships with our strategic partners helps us promote those products to a broader segment of our membership while at the same time addressing underserved markets.

One of the key internal challenges and opportunities identified by the Plan is the exploration of an appropriate level of discretionary community investment related expense and the assessment of options to create new or expand existing (BOB, Blueprint Communities and Home4Good) discretionary products.

The Plan includes specific multifamily housing and small business goals:

1. *Multifamily Housing*: Over the five-year plan horizon 2018 - 2022, commit \$87 million under the AHP and \$64 million under the Community Lending Program for multifamily housing
2. *Small Business*: Over the five-year plan horizon 2018- 2022, commit \$20 million to community financial institutions under the BOB Program

Housing Needs Assessment

In 2014, the Bank engaged The Reinvestment Fund (TRF), a research and policy organization based in Philadelphia, to conduct an analysis of housing needs using key data indicators. TRF subcontracted with Diana T. Myers and Associates Inc. to provide data analysis relative to the housing needs for the homeless and persons with special needs. In addition, Bank staff completed an overview of national housing issues and trends, which provided a foundation for assessing the needs in the Bank's district.

The resulting Housing Needs Assessment report was used by Bank management, the Council and the Board of Directors to establish an outcomes framework, which is discussed later in this Plan, and set housing priorities for the district. These priorities guide decisions for scoring criteria for AHP and the creation of AHP set-asides, such as support for first-time homebuyers under the FFD product. The Bank established the following priorities based on the Housing Needs Assessment, research and national trends:

- **Expanding and preserving affordable rental housing.** The recommendations section of the consultant's report indicated that "there is a persistent and disparate financial stress on renters when compared to owners." The stress is most acute for the following specific populations:
 - Persons with disabilities – having relatively low incomes and the highest housing cost burden
 - Homeless – the number of homeless decreased from 2007-2012, but the need persists for the chronically homeless, veterans and homeless families
 - Extremely low income (30 percent of area median income [AMI]) and very low income (50 percent of AMI) – these households have relatively high housing cost burdens
- **Providing improved conditions and/or an opportunity for:**
 - Households living in substandard conditions
 - Renters seeking homeownership
 - Minority households
 - Owners at risk of foreclosure
 - Seniors
- **Other needs identified in the assessment, including housing for:**
 - Rural households
 - Veterans
 - Young adults aging out of foster care
 - People released from prison

The Housing Needs Assessment results and the review of national issues/trend continues to provide a good source of information for staff and members of our Council as they deliberate on issues relating to existing product enhancements and new product development.

State Consolidated Plans

The Consolidated Plans for Delaware, Pennsylvania and West Virginia were reviewed as part of the data-gathering process for the Plan. The Consolidated Plans are a Department of Housing and Urban Development (HUD) requirement intended to assess and prioritize the critical housing and community development needs of each state, provide housing market analysis and summarize the state's methods of distributing federal funds to local governments and organizations.

Pennsylvania is in the final year of the 2014-2018 Consolidated Plan. The 2018 Action Plan evaluated past performance, summarized citizen participation, and set forth a plan prioritizing the following 11 housing objectives:

- Improve the quality of housing stock through rehabilitation of existing single family and multi-family units
- Aid individuals and families with finding affordable living environments through new rental units and rental assistance
- Assist individuals and families in obtaining the necessary public services to improve their quality of life
- Provide flexibility to local government officials to meet the needs of their municipalities in preserving neighborhoods and communities by providing critical assistance for public infrastructure and community facility projects

- Provide the necessary assistance for local government officials to clear and demolish substandard units to rid their communities of hazards to the health and safety of its residents
- Provide the necessary rental assistance for persons suffering with HIV/AIDS to be able to find affordable housing
- Through coordination with the Continuum of Care, the state will address the housing needs of the homeless and provide necessary supportive services to help them attain stability
- Further fair housing and address impediments to housing choice
- Development opportunities to improve the economic environment of the state especially in the rural areas
- Assist families and individuals to become home buyers and encourage stability in local communities
- Build capacity of community-based organizations and local governments to meet the needs of their residents and encourage long range planning to address community needs

Delaware is in the fourth year of its five-year Consolidated Plan for Housing and Community Development 2015-2019. The following general goals have been derived from the state's annual strategic planning and public participation process and identified in its 2018 Action Plan as the most pressing housing and community development needs:

- Preserve and expand Delaware's stock of affordable rental housing
- Help Delaware families achieve and sustain homeownership by providing homebuyer assistance and rehabilitation assistance for existing homeowners
- Reduce the family and community impact of foreclosure via prevention and recovery programs
- Provide resources for local communities to address community development needs
- Assist in ending homelessness and ensure that those at risk of homelessness have access to affordable, integrated, supportive housing options, including permanent supportive housing

West Virginia is in the fourth year of the five-year Consolidated Plan. After completing the planning and public participation process, the 2018 Action Plan establishes three primary goals and lists seven secondary goals:

Primary Goals

- Provide decent affordable rental housing
- Create economic opportunities
- Create suitable living environments

Secondary goals

- Increase the supply of affordable rental housing
- Support homeownership opportunities for low to moderate income first-time homebuyers
- Increase affordable, accessible housing opportunities for special needs populations
- Support local efforts to assure that households in a housing crisis are able to obtain and/or maintain housing stability
- Support job creation or retention efforts
- Support local community development efforts to assist low- to moderate-income citizens to achieve an improved quality of life by supporting locally developed strategies to protect, maintain, and expand access to facilities, and services and to revitalize deteriorating downtown and residential neighborhood areas

- Support local government efforts to provide affordable infrastructure systems to strengthen the foundations for economic growth and alleviate conditions that affect environmental quality, public health, or welfare

National Housing Studies

The National Low Income Housing Coalition's annual report, Out of Reach, documents the gap between wages and the cost of rental housing across the United States. The report's "housing wage" is an estimate of the hourly wage a full-time worker must earn to afford a rental home at HUD's fair market rent (FMR) without spending more than 30 percent of his or her income on housing costs. FMRs provide an estimate of what a family moving today can expect to pay for a modestly priced rental home in a given area. The 2018 findings for Pennsylvania, Delaware and West Virginia summarized below demonstrate how far out of reach modestly priced housing is for the growing low-wage work force, despite recent wage growth, and for other vulnerable populations across the three states in the district.

In **Pennsylvania**, the FMR for a two-bedroom apartment is \$1,015. In order to afford this level of rent and utilities - without paying more than 30 percent of income on housing - a household must earn \$3,385 monthly or \$40,616 annually. Assuming a 40-hour work week, 52 weeks per year, this level of income translates into an hourly "housing wage" of \$19.53 while the statewide minimum wage is \$7.25 and the average wage for renter families is \$14.91.

In **Delaware**, the FMR for a two-bedroom apartment is \$1,136. In order to afford this level of rent and utilities - without paying more than 30 percent of income on housing - a household must earn \$3,787 monthly or \$45,439 annually. Assuming a 40-hour work week, 52 weeks per year, this level of income translates into an hourly "housing wage" of \$21.85 while the statewide minimum wage is \$8.25 and the average wage for renter families is \$16.99.

In **West Virginia**, the FMR for a two-bedroom apartment is \$733. In order to afford this level of rent and utilities - without paying more than 30 percent of income on housing - a household must earn \$2,445 monthly or \$29,336 annually. Assuming a 40-hour work week, 52 weeks per year, this level of income translates into an hourly "housing wage" of \$14.10 while the statewide minimum wage is \$8.75 and the average wage for renter families is \$11.36.

Affordable Housing Advisory Council Consultation

The Bank's Council has 15 members who represent a cross-section of housing and community development professionals from the Bank's district. The Council's purpose is to advise the Bank's Board and management on housing and community development matters in the district. Council members also assist the Bank in developing an ongoing understanding of specific needs and help build relationships with the community investment stakeholders.

The Council actively participated in the Housing Needs Assessment mentioned previously and worked closely with Bank staff to establish an outcomes framework for the AHP that would measure the progress against three key benchmarks:

- Increase the percentage of subsidy approved for rental housing for persons with special needs, homeless households and households with extremely low income
- Increase the percentage of projects approved that involve member financial participation
- Increase the average score in the Community Stability category for approved projects

Based on the 2018 AHP competitive funding round results, the table below presents the outcomes when measured against the benchmarks established by the outcomes framework.

Outcome	Target 2018-2020	Actual 2018
Increase the percentage of subsidy approved for rental housing for: <ul style="list-style-type: none"> - Special needs - Homeless - Extremely low income 	<ul style="list-style-type: none"> - 46 percent - 35 percent - 32 percent 	<ul style="list-style-type: none"> - 51 percent - 30 percent - 32 percent
Increase the average score in the community stability category for approved projects	14 points	13.1 points
Increase the percentage of projects approved that involved member financial participation	88 percent	93 percent

The Council has formed an Affordable Housing Task Force that works closely with the Bank's staff thru out the year to consider appropriate changes/clarifications to the Bank's AHP Implementation Plan which establishes the Bank's scoring priorities and feasibility standards for the competitive AHP funding round. During 2018, the following AHP related issues were considered by the Council and staff during discussion of the 2019 Implementation Plan:

- Serving households 80 percent-100 percent of AMI
- Rehabilitation of existing affordable housing/options to keep people in their homes
- Sustained affordability
- Support Low-Income Housing Tax Credit (LIHTC) projects with households at or below 60 percent AMI
- Dispersion of AHP more equitably in-district
- Diverse developer preference
- Review the Member Financial Participation (MFP) scoring category
- Preservation of affordable housing

Engagement of Strategic Partners

The Bank engages strategic partners to enhance and sustain external partnerships that result in direct and indirect business opportunities for the Bank with its members and other key stakeholders. As it related to community investment, the Bank enhanced or created new relationships by sponsoring and participating in conferences, article placement, joint event planning and execution, and engaging in policy discussions. The aim is to strengthen partnerships ensuring broad-based member and other key stakeholder use of the Bank's affordable housing and community development products.

Expansion of Discretionary Programs

In 2017, a committee of Bank staff spent nearly a year conducting research, meeting with key stakeholder organizations and talking with other funders to determine the most productive use of the additional funding. At the end of 2017, the committee recommended that the funding be focused primarily on contributing to solutions that support individuals and families who are homeless or at-risk of homelessness.

Newly launched in 2018, Home4Good is a collaborative product between the Bank and the three state housing finance agencies (HFA) in our District, Delaware State Housing Authority (DSHA), Pennsylvania Housing Finance Agency (PHFA) and West Virginia Housing Development Fund (WVHDF). The product provides grants to address systemic gaps in support and services to help make homelessness rare, brief and non-recurring.

In December 2017, the Board approved an additional \$5 million annual allocation for discretionary funding for three years, 2018-2020, totaling \$15 million. If the Bank's net income before the AHP assessment is less than \$250 million, the amount will be set at two percent of the Bank's net income before the AHP assessment.

Home4Good is designed to support projects, programs or activities in the Bank's district that lead to stable housing for individuals and families who are currently homeless or at risk of becoming homeless. To be eligible for consideration, each Home4Good service provider applying for funds must address one of the following goals.

- **Prevention and/or Diversion:** Projects, programs or activities that assist households seeking to avoid homelessness by maintaining their current housing situation, or being diverted to alternative options
- **Innovative Solutions:** Projects, programs or activities that provide innovative solutions that seek to end homelessness
- **Critical Need:** Any project, program or activity serving homeless individuals and families that is determined to be critically needed by the relevant community or CoC entity for the Region/County

Of the \$5 million allocated for 2018, \$4.8 million was allocated to Home4Good and \$200,000 additional to Blueprint Communities. The HFAs provided financial match that increased the total pool to \$7 million.

Applications were solicited via a Request for Proposal process coordinated by 20 Continuum of Care (CoC) organizations, which are regional umbrella associations representing many homeless service providers. In total, the Bank and our HFA partners received 170 applications requesting \$21.7 million. Thirty-seven members, on behalf of the CoCs and service providers, submitted applications.

The Bank and HFAs have selected 80 projects to receive an award.

Opportunities

Based on information gathered from the primary and secondary sources outlined above, the Community Investment Department identified the following priority opportunities for 2018:

- Expand the use of the Bank's community investment products, increasing member participation. Explore opportunities for more diverse and inclusive participation in the community investment products offered
- Build strategic partnerships by strengthening relationships with multiple stakeholders, coordinating investment of limited resources among funders, developing banking partnerships and convening stakeholders to share best practices and ideas to address significant issues
- Provide education and networking for members that expands their opportunities to support community investment
- Prioritize rehabilitation and preservation, including owner-occupied housing, home modifications for seniors and persons with disabilities, and preservation of existing subsidized units
- Support comprehensive community development by developing community leaders and local capacity and rewarding community and housing developments that are consistent with sound local planning and have the potential for the greatest impact
- Expand the usage of FFD as a resource for expanding homeownership opportunities for first-time homebuyers
- Support economic development by encouraging the creation/expansion of small businesses through access to appropriate capital resources including Banking On Business
- Focus on the most critical housing needs in the district, including extremely low-income households, persons with disabilities, and homeless individuals and families
- Apply lesson learned and implement the Home4Good product in 2019

2018 Performance and 2019 Goals

Goal Title	2018 Goal	2018 Performance	2019 Goal
1. Expand the use of the Bank's community lending products and services			
a. Increase the number of members using the Bank's community investment products	Achieve a target of 154 member uses of community investment products.	As of Oct. 31, there have been 180 uses of Community Investment products by 125 different members. Products include the Affordable Housing Program (AHP), First Front Door (FFD), Banking On Business (BOB) and the Community Lending Program (CLP).	Add Home4Good, and increase member uses of community investment products: Minimum: 202 Target: 210 Maximum: 224
b. Technical assistance and education	Provide technical assistance resources and educational opportunities to both members and key program participants.	<p>The Bank held four Community Investment workshops for members during the 1st quarter (3 in Pennsylvania and 1 in West Virginia). The workshop's morning general session included Community Investment product updates, product case studies presented by participating members and discussion of CRA best practices by representatives of the OCC, FDIC and Federal Reserve. In the afternoon, two breakout sessions that focused specifically on AHP and FFD were offered. 112 participants representing 58 members attended the workshops. Of the 58 different members attending, 44 (75%) used at least one Community Investment product in 2018. For the AHP focused afternoon session 8 of the members attending sponsored AHP applications in 2018. For the FFD focused afternoon session, 23 of the members attending submitted qualified buyers in 2018.</p> <p>The Bank organized and recorded informational webinars for the AHP, FFD and BOB products that provided a review of each product and provided instruction on various aspects of the product application process. The webinars were readily accessible on the Bank's public website.</p> <p>Bank staff fielded 135 technical assistance requests in 2018 AHP that included debriefing unsuccessful 2017 applicants and assistance provided to project sponsors during the 2018 funding round.</p> <p>In addition, the Bank continued to offer its member/sponsor matching assistance service and had 35 requests for matching. Matches were made for 18 of those requests and 17 of those matches resulted in an application being submitted.</p>	Provide technical assistance resources and educational opportunities to both members and key program participants.
c. Commit AHP funds	Commit all funds available to eligible projects and increase the number of members using the AHP.	In 2018 \$34.2 million was committed to 68 eligible projects, resulting in 1,714 affordable housing units created or preserved. In 2018, 44 different members participated in the AHP.	Commit all funds available and achieve 40 members using AHP.
d. Commit FFD funds	Carry out a campaign to increase the number of members using FFD.	<p>In 2018, \$12.1 million in FFD down payment and closing costs assistance was committed to 2,434 eligible first time homebuyers. 75 different members applied for funds on behalf of qualified buyers.</p> <p>In 2018 a targeted outreach campaign to increase member use of FFD was conducted. The campaign included the development and distribution a FFD "leave-behind", launch of new consumer website, a Bank4Banks outreach campaign to ensure all members have access to the FFD online system and 18 in-person member outreach meetings. The campaign resulted in both an increase in members using FFD and an increase in utilization among those members already using the product.</p>	Commit all funds available and achieve 73 members using FFD.
e. Commit CLP funds to specific projects	Commit CLP to 50 specific CLP projects.	The Bank has committed \$88.9 million in 2018 CLP funding to 50 specific projects through October 31, 2018, as compared to \$123.3 million and 47 projects through Oct. 31, 2017.	<p>Increase the number of members using the CLP product.</p> <p>Commit CLP to 50 specific projects.</p>

f. Commit BOB funds to eligible small businesses	Commit all funds available to eligible small businesses and increase the number of members using the BOB.	<p>In 2017, a per member maximum of \$300,000 in BOB assistance was instituted to ensure a broader distribution of the funds among participating members. Based on member feedback that per member maximum was increased to \$600,000 for 2018.</p> <p>In 2018, the Bank has committed \$6.5 million to 28 members supporting 74 small businesses, resulting in 705 jobs created or retained, as compared to \$6.8 million to 33 members supporting 73 small businesses, resulting in 891 jobs created or retained in 2017.</p>	Commit all funds available to eligible small businesses and achieve 28 members using BOB.
2. Build strategic partnerships and address priority housing and community development needs			
a. Blueprint Communities®	Continue to support the efforts of the existing Blueprint Communities in Delaware, Pennsylvania and West Virginia. Complete the pre-development for a new cohort to be launched in 2019 in West Virginia.	<p>Partnered with the West Virginia Community Development Hub (Hub) and the Pennsylvania Downtown Center (PDC) to develop and implement a pre-development process for West Virginia communities interested in participating in 2019 Blueprint Communities initiative. Up to six new communities will be selected in West Virginia.</p> <p>PDC also administered \$221,298 in anchor organization/capacity building grants for six active Pennsylvania Blueprint Communities and three active Blueprint Communities in West Virginia.</p> <p>Partnered with the University of Delaware to provide technical assistance and award \$12,400 in scholarships/mini-grants to active Blueprint Communities.</p> <p>Prior to the end of 2018, the Bank also anticipates awarding \$50,000 in anchor organization/capacity building grants to the Northeast Wilmington and Washington Heights Blueprint Communities.</p>	<p>Continue to support the efforts of the existing Blueprint Communities in Pennsylvania, West Virginia and Delaware.</p> <p>Launch a new cohort of communities in West Virginia.</p>
b. Enhance and build strategic partnerships with members and key non-bank stakeholders	Enhance and build strategic partnerships by enhancing relationships with members, bank regulators and other key housing and community development stakeholders.	For 2018, the Bank targeted 19 key community-related strategic partners (i.e. housing and community development funders and professional organizations, member regulators, etc.) and established 30 possible partner “touchpoints”. As of October 31, 2018 the Bank recorded the completion of 25 out of 30 possible strategic partner “touchpoints”. Those touchpoints include event sponsorships, speaking engagements, policy discussions, and joint ventures.	Enhance and build strategic partnerships by enhancing and creating relationships with members, members’ regulators and other stakeholders.
c. Address priority needs	Implement a new homeless initiative in 2018.	<p>In 2018, the Bank launched a new discretionary product called Home4Good that focuses on supporting homeless service providers. The Bank will commit \$4.8 million in discretionary funding in Delaware, Pennsylvania and West Virginia in partnership with each State’s housing finance agency. In total, the Bank received 170 applications requesting \$21.7 million. The Bank and HFAs will award funds to 80 projects.</p> <p>Three of the five AHP outcomes were achieved in 2014-17. The Bank reset the outcomes targets for 2018-2020. In 2018, two of the targets were met and three were slightly below target.</p>	<p>Continue to use the housing needs assessment supplemented by current research/data to guide policy and product-related decisions, and increase the percentage of Bank funding for priority needs.</p> <p>Implement the second-year offering of the Home4Good product.</p>

“Blueprint Communities” is a registered service mark of the Federal Home Loan Bank of Pittsburgh.