



Federal Home Loan Bank
NEW YORK

The Evolution of CDFIs and Their Growing Partnership Opportunity with the FHLBNY

Cliff Rosenthal and Daniel Randall

April 29, 2021

Today's Webinar

- » CDFI Trends Within the FHLB System
- » Cliff Rosenthal – Community Development Financial Institutions: The Year of CDFIs
- » Daniel Randall FHLBNY – FHLBNY Community Investment Programs: Supporting the Membership by Addressing District Challenges
- » Q&A



CDFIS TRENDS WITHIN THE FHLB SYSTEM

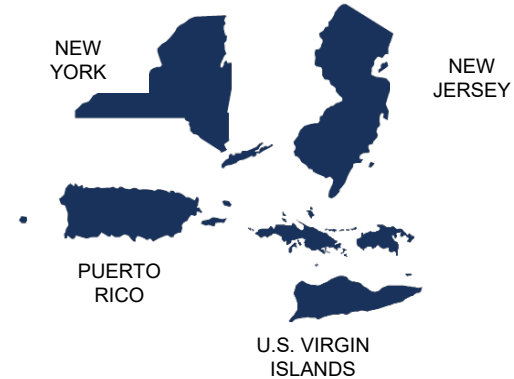


The Federal Home Loan Bank System

FHLBANK SYSTEM



FHLB NY SECOND DISTRICT



- » Government-Sponsored Enterprise (GSE) created by Congress in 1932 as a result of the Great Depression and its effects on the housing market
- » Primary business is extending credit to banks, thrifts, credit unions, insurance companies, and community development financial institutions
- » 11 Federal Home Loan Banks across the United States all registered with the SEC and regulated by the Federal Housing Finance Agency (FHFA)
- » Each FHLBank is an independent cooperative, owned by its members, who purchase stock in the FHLBank
- » The total membership as December 31, 2020 was 6,701 institutions
- » The total advances to members system-wide as of December 31, 2020 was \$415.6 billion

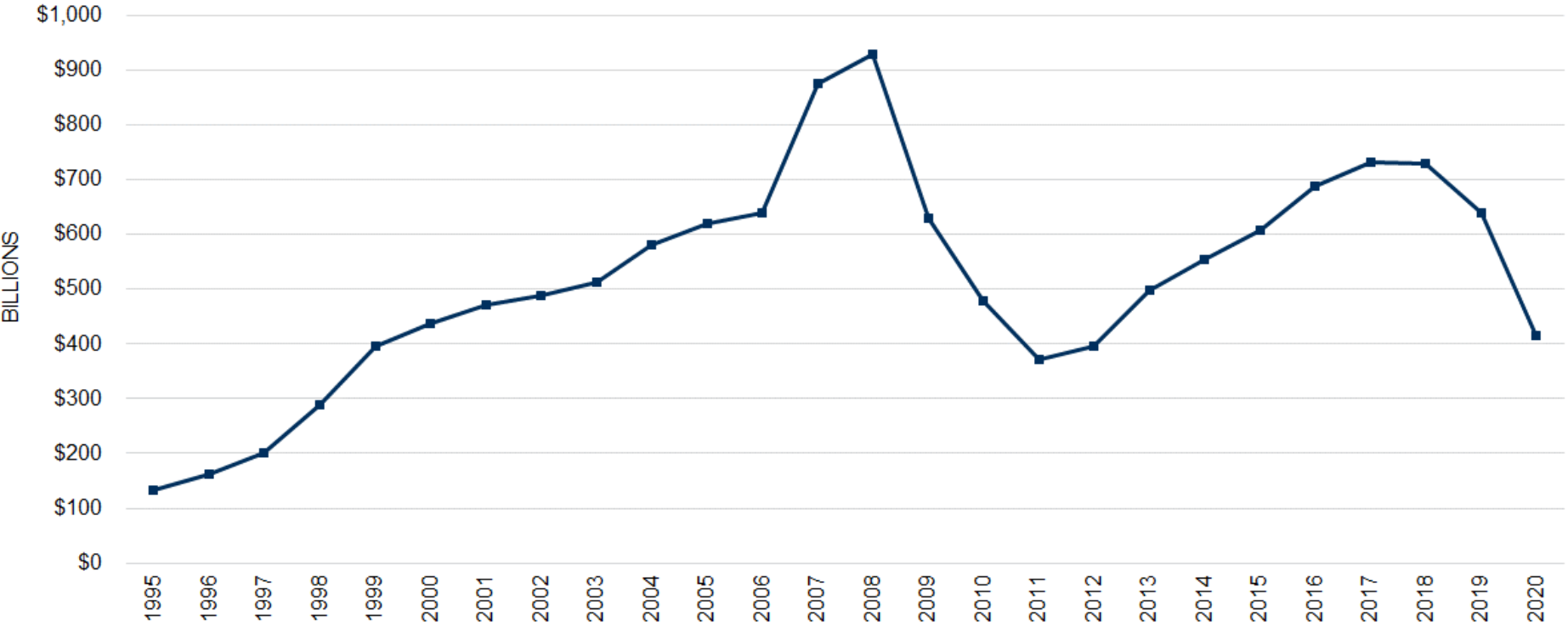


Why Are CDFIs Joining the FHLB System?

- » Attain a reliable and flexible low-cost wholesale funding for contingent, daily and strategic liquidity needs
- » Earn a high yielding investment as a shareholder
- » Ability to pledge eligible securities and mortgage collateral to secure borrowings
- » Utilize our Housing and Community Lending Programs
- » Participate in our Disaster Relief, Affordable Housing and Homebuyer Dream Program Grants
- » Use FHLBNY's Correspondent Services to effectively manage cash positions and improve profitability
- » Leverage membership in the cooperative to network with other CDFIs as well as banks, credit unions, insurance companies and housing authorities

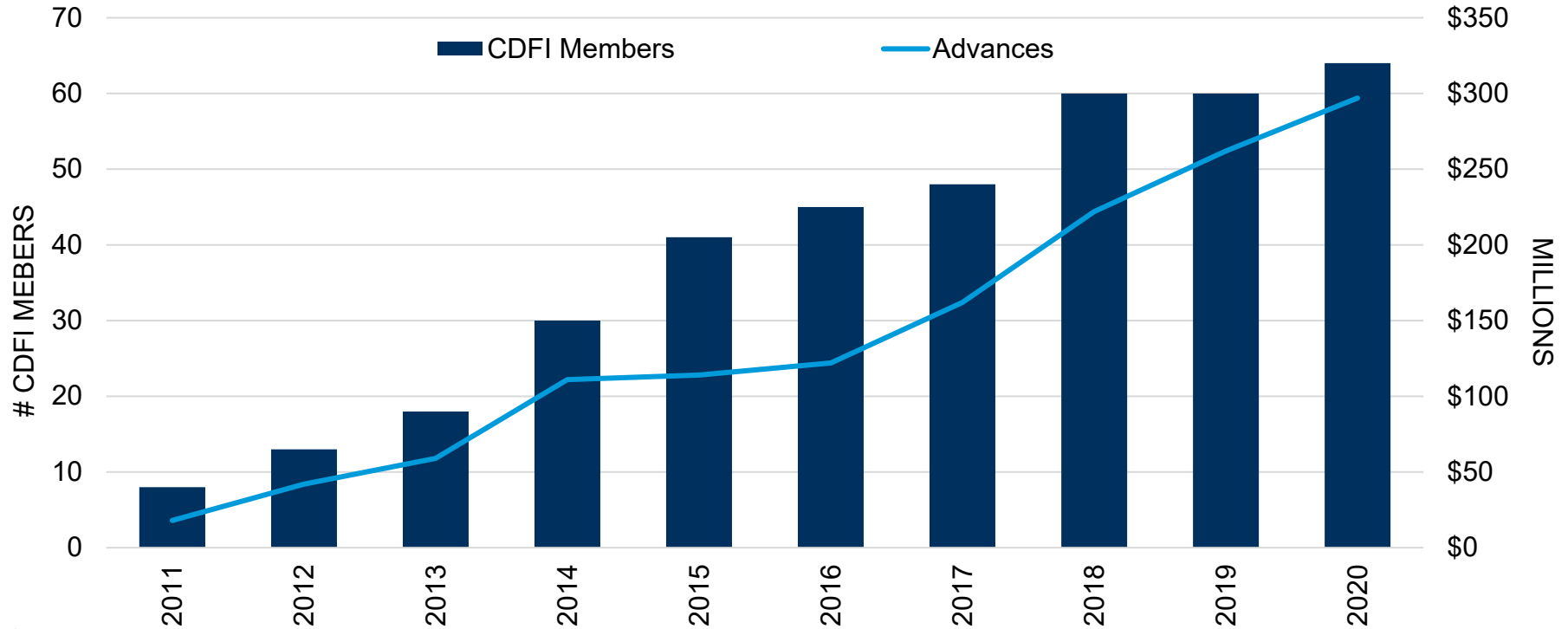


FHLB System Advances



FHLB System CDFI Trends

CDFI membership in the FHLBank system has expanded to 64 members with a total advance balance of \$297M as of 4Q2020.



Top 10 Borrowing CDFIs in the FHLB System

DISTRICT	CDFI NAME	TOTAL ASSETS	ADVANCES (4Q2020)	MEMBERSHIP DATE
Atlanta	Capital Impact Partners	\$591,430,260	\$47,271,304	1/30/2015
San Francisco	Clearinghouse Community Development Financial Inst	\$591,814,000	\$40,800,000	3/4/2011
New York	The Community Development Trust, Inc.	\$441,041,418	\$30,000,000	1/29/2013
San Francisco	Century Housing Corporation	\$802,948,000	\$28,549,500	4/28/2011
Dallas	Affordable Homes of South Texas, Inc.	\$91,582,198	\$17,384,723	5/8/2018
San Francisco	Raza Development Fund, Inc.	\$267,930,000	\$17,000,000	7/23/2013
Des Moines	Greater Minnesota Housing Fund	\$126,775,000	\$15,299,900	1/9/2015
Chicago	IFF	\$457,810,170	\$14,000,000	6/2/2011
Atlanta	Enterprise Community Loan Fund, Inc.	\$283,771,000	\$13,080,077	3/26/2015
Chicago	Community Investment Corporation	\$329,854,880	\$9,300,000	2/1/2016
TOTAL		\$3,987,956,926	\$232,685,504	



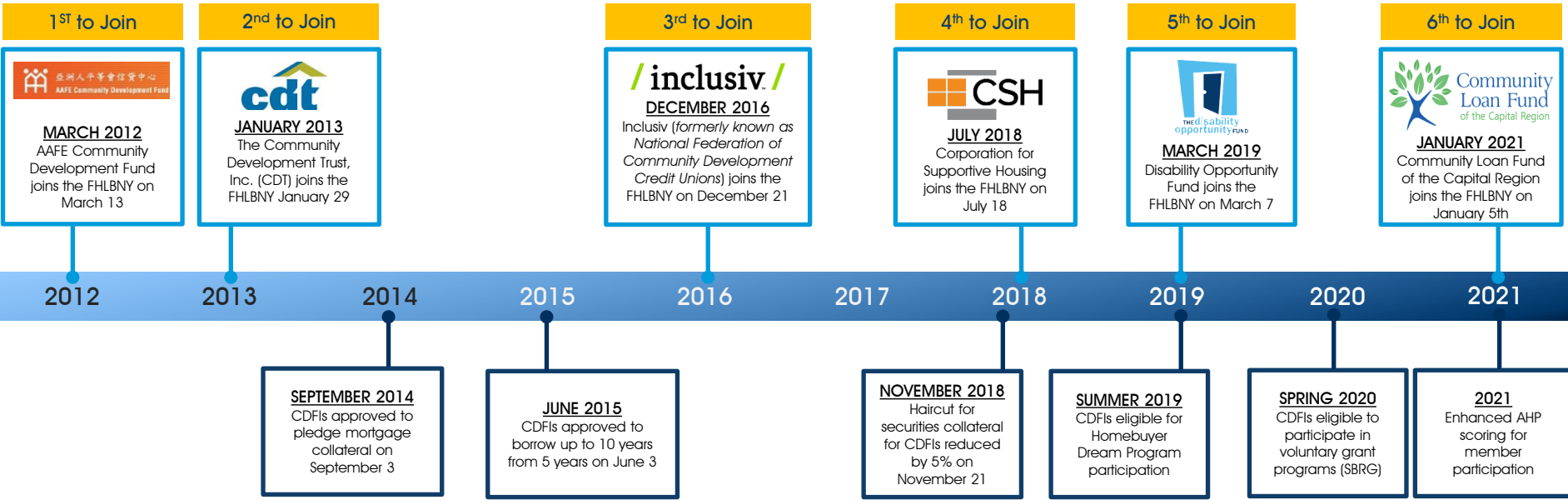
FHLBNY Member CDFIs

FHLB of New York – 20 Member CDFIs

	State	Loan Fund	CU	Bank	
AAFE	NY	X			NYC
CLF of Capital Region	NY	X			Albany
Disability Opp. Fund	NY	X			LI
Corp for Supp.Hsing	NY	X			NYC
Community Dev. Trust	NY	X			NYC
Inclusiv	NY	X Intermediary			NYC
NYU FCU	NY		CU		NYC
Genesee Co-op FCU	NY		CU		Rochester
Co-op FCU	NY		CU		Syracuse
Empower FCU	NY		CU		Syracuse
Alternatives FCU	NY		CU		Ithaca
Heritage Financial FCU	NY		CU		Middletown
Spring Bank	NY			Bank	Bronx
Quontic Bank	NY			Bank	NYC
Ponce Bank	NY			Bank	NYC
Carver Federal Savings	NY			Bank	NY
Savoy Bank	NY			Bank	NY
North Jersey FCU	NJ		CU		Totowa
New Community FCU	NJ		CU		Newark
Puerto Rico FCU	PR		CU		San Juan



FHLBNY Non-Depository CDFI Timeline



FHLBNY's Strong Relationship with CDFIs

- » **Advanced** > \$25 million to CDFI non depository members in NY and NJ
- » **Created** FHLB CDFI Working Group & Task Force, Upcoming FHLBNY Webinar in April 2021
- » **Provided** COVID-19, Earthquake and Hurricane Relief funds:
 - Donated >\$1.5 million to Puerto Rico and USVI charities
 - Offered \$10 million in grants to homeowners and small businesses
 - Announced \$1 billion in Community and Economic Development Advances related to Disaster Relief
- » **Accepted** AAFE, Inclusiv, Corporation for Supportive Housing, CDT, Community Loan Fund, Disability Fund and discussing membership with many more
- » **Partnered** with the CDFI Fund, SBA, PathStone Enterprise Center, Enterprise, NeighborWorks America, Habitat for Humanity, Federal Reserve Bank of NY, SBA, Aeris, and many more



AERIS

OPPORTUNITYFINANCE NETWORK



PathStone
Conectándose a Oportunidades



COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS: *THE YEAR OF CDFIS*

Presented By: Cliff Rosenthal



Today's Presentation

- » “Overnight Sensation”: A Brief History of CDFIs
- » CDFIs today
- » Investing in CDFIs
 - Federal Programs
 - Private Sector
 - New York State



Why the “Year of CDFIs?”

» “DISCOVERIES”

- Wealth & Income Racial Gap
- Role of CDFIs as lenders to Black and minority businesses

» FEDERAL INITIATIVES

- Paycheck Protection Program
- Emergency Capital Investment Program (ECIP) for MDIs, CDFIs
- CDFI Fund Programs

» PRIVATE CAPITAL

- Corporate philanthropy (Google, Netflix)
- Impact investment funds



History of CDFIs

How did we get here?



How did we get here?

- » 1930s: First credit unions serving Black churches and communities
- » 1960s: War on Poverty
- » 1970s
 - 1973: South Shore Bank
 - 1974: National Federation of Community Development Credit Unions (Inclusiv)
 - Earliest loan funds, especially faith-based and Institute for Community Economics
 - Community development corporations
- » 1980s
 - 1980: LISC, Enterprise
 - 1983: National Federation established intermediary: Capitalization Program
 - 1984: Federation drafts legislation for “New York Corporation for Community Banking”
 - 1985: National Association of Community Development Loan Funds (OFN)
 - 1986: Federation drafts call for a “National Neighborhood Banking Corporation”



1990—2000: CDFI Fund is Born

- » 1991: National Federation (Inclusiv), Loan Funds (OFN), Self-Help, Community Capital Bank, Woodstock form national Coalition of CDFIs
- » 1992: Bill Clinton elected on platform of “100 community development banks and 100 microenterprise programs”
- » 1993, July: Legislation introduced
- » 1994, September: Legislation creating CDFI Fund under Treasury signed
- » 1996: First CDFI Fund awards and BEA Awards made--\$50 million (including BEA)

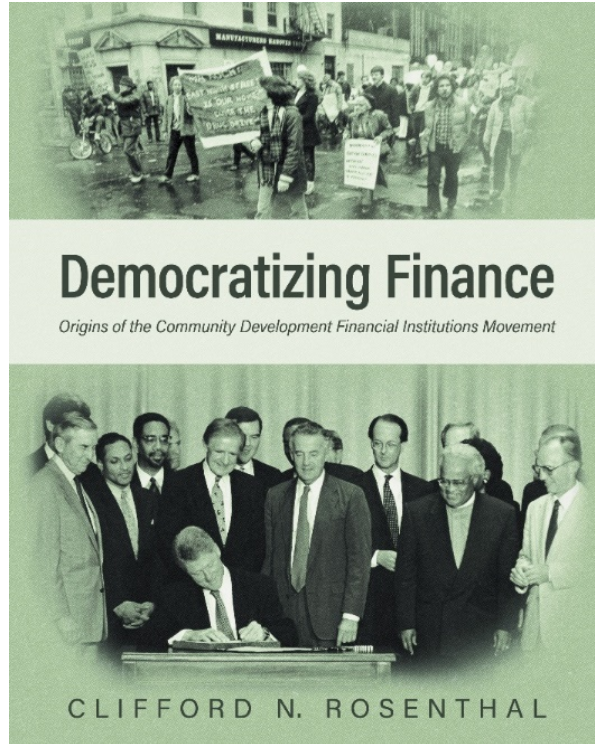


- » 2000: New Markets Tax Credit program created
- » 2000: Native American CDFI program
- » 2007/8: Great Recession
- » 2009-2013: Obama Administration
 - Community Development Capital Initiative
 - Healthy Foods Financing Initiative
 - CDFI Bond Program
- » Cumulative CDFI Fund Investment, 1996—2020:
 - Financial Assistance (mostly grants): \$3.6 billion
 - New Markets Tax Credits: \$61 billion
 - CDFI Bonds: \$1.6 billion
 - Capital Magnet Fund (acquisition, constructions, preservation, rehab of affordable housing projects and related efforts)



Democratizing Finance

For the full story:



CDFIs are:

- » “specialized financial institutions serving economically distressed communities”
- » Certified by the Community Development Financial Institutions Fund under the U.S. Treasury Department
- » Banks, credit unions, loan funds, venture capital funds



The CDFI Universe Today

- » 1,170 certified CDFIs in U.S.
 - Since Hurricane Maria, 2017 many Puerto Rican credit unions and cooperativas have become certified
- » Total CDFI Assets: \$211 billion
- » CDFIs by institutional type
 - Banks & Thrifts: 148
 - Depository holding companies: 108
 - Credit Unions: 343
 - Loan Funds: 555
 - Including intermediaries (OFN, Inclusiv, other)
 - Venture Funds: 16



Breakthroughs in the “Year of CDFI”

- » Federal Investment
 - Paycheck Protection Program (PPP)
 - COVID-19 Relief: \$12 billion
 - \$9 Billion for Minority Depositories – Banks & Credit Unions
 - \$3 Billion through CDFI Fund
- » Private Sector “discovers” CDFIs
 - Corporate philanthropy
 - Impact investing
- » States: New York State CDFI Fund, \$25 million



Paycheck Protection Program (PPP)

- » CDFIs recognized as lenders to Black and minority businesses
 - Preference in recent round of PPP
- » CDFI Participation
 - 2020: 114,000 loans -- \$7.4 billion. Average loan: \$70,000
 - 2021: 111,000 loans, \$7.2 billion. Average loan: \$43,00
 - Preference/set aside for CDFIs
- » FHLB has directed grants to CDFIs for targeted loans to small & minority businesses



Emergency Capital Investment Program (ECIP)

- » \$9 Billion in Minority Depository Institutions (MDIs) and CDFIs
 - \$2 billion for institutions < \$500 million in assets
 - \$2 billion for institutions < \$2 billion in assets
- » Purposes: Loans, grants, forbearance for small & minority biz and consumers in LMI communities
- » “Impact” and “Deep Impact” Lending: LMI; rural, urban I-I, other targeted; persistent poverty; small biz, minority biz, underserved; affordable housing; community facilities, other



ECIP (continued)

- » Structure:
 - Long-term: 15 years (credit unions); perpetual for banks
 - Low-cost
 - 2% max dividend for banks preferred stock, 2.5% for CU sub debt
 - Rate reductions to as low as 0.6% if meet lending targets
 - No dividends or interest for first 24 months
 - Equity—senior preferred stock (banks)
 - Subordinated debt (credit unions)
- » Applications due: May 7



CDFI Fund

- » \$3 billion total
 - \$1.25 billion: Rapid Response Program (opened Feb. 25)
 - ONLY for certified CDFIs
 - Non-competitive, formula
 - Minimum of \$200,000 per institution; Maximum: \$5 million
 - \$1.75 billion Emergency Support and Minority Lending Program
 - to expand financial activity in “low- or moderate-income minority communities and to minorities that have significant unmet capital or financial services needs.”
 - \$1.2 billion of this for “minority lending institutions”
 - Opens in summer
- » Annual Appropriation: \$270 million—a new high!



Private Sector “Discovers” CDFIs

- » Netflix: \$10 million deposit commitment to Hope FCU (Southeastern U.S.)
- » Mackenzie Scott: unrestricted gifts to 33 CDFIs
- » Grow with Google Small Business Fund: \$125 million
- » Impact investors: Olamina Fund



New York State: CDFI Assistance Program

- » \$25 million
- » Up to \$5 million available in grants this year
- » Serve: Underserved, underbanked or unbanked, minority; “commitment financial inclusion and racial and economic justice.”
- » “support the CDFI model as a way of providing affordable financial products and services to low and moderate income New Yorkers.. [and] increase access to capital and technical assistance services for New York State small businesses, non-employer firms and nonprofit organizations.”
- » Grants up to \$200,000
- » 25% non-state match required
- » Decisions by May



Looking Ahead: *What Will These Programs Mean?*

- » **“Embarrassment of Riches”**
 - Equity (especially from ECIP, CDFI Fund programs)
 - Liquidity

- » **Stronger CDFI balance sheets**

- » **Competition on supply side?**
 - Less demand for debt and deposits?
 - Lowest cost, longer term wins



“Gateway” Credentials

- » CDFI Certification
 - Access to CDFI Fund Programs
 - 2021: “Emergency Capital Investment Program”
- » Low-income designation (credit unions)
 - Through National Credit Union Administration (NCUA)
 - Eligibility for equity-like subordinated debt (secondary capital)
- » Minority Depository Institution
 - Designation by Treasury Department
 - 2021: “Emergency Capital Investment Program”



CDFI Certification Requirements

- » Is a legal entity at the time of Certification application;
- » Has a primary mission of promoting community development;
- » Is a financing entity;
- » Primarily serves one or more target markets;
- » Provides development services in conjunction with its financing activities;
- » Maintains accountability to its defined target market; and
- » Is a non-government entity and not under the control of any government entity (Tribal governments excluded)



Why get certified?

- » CDFI Fund Programs
 - Financial assistance (grants)--competitive
 - CDFI Bond Guarantee Program
 - Capital Magnet Fund (affordable housing orgs.)
 - New Markets Tax Credits
 - Technical assistance and capacity building
 - Bank Enterprise Program (FDIC insured banks)
- » Emergency Capital Investment Program (ECIP)
- » New York State CDFI Program
- » FHLB: Access to liquidity and other programs



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Democratizing Finance: Origins of the Community Development
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FHLBNY COMMUNITY INVESTMENT PROGRAMS: SUPPORTING THE MEMBERSHIP BY ADDRESSING DISTRICT CHALLENGES

Presented By: Daniel Randall



Community Investment Overview

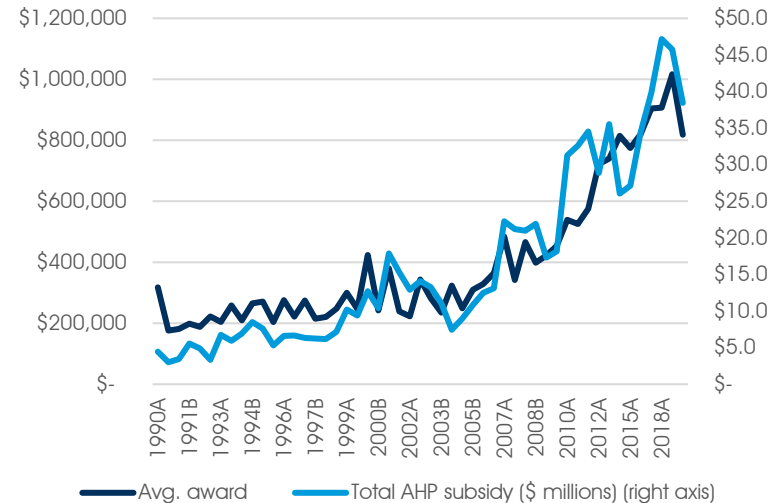
The Bank's Housing & Community Lending Programs provide tools for our members to better serve the housing and economic development needs in their communities. In doing so, the programs provide the Bank with ways in which to fulfill its housing and community lending mission.

AFFORDABLE HOUSING PROGRAM

Each year since 1990, the FHLBNY has set aside 10% of its private earnings to support the creation and preservation of housing for lower income families and individuals through the Affordable Housing Program (AHP). AHP funds are awarded to members who submit applications on behalf of project sponsors who are planning to purchase, rehabilitate, or construct affordable homes or apartments. Each year, funds are awarded through a competitive process.

Projects funded: 1,928
Units supported: 95,000
Subsidy awarded: \$828 million

AHP Growth Since Inception (1990-2020)



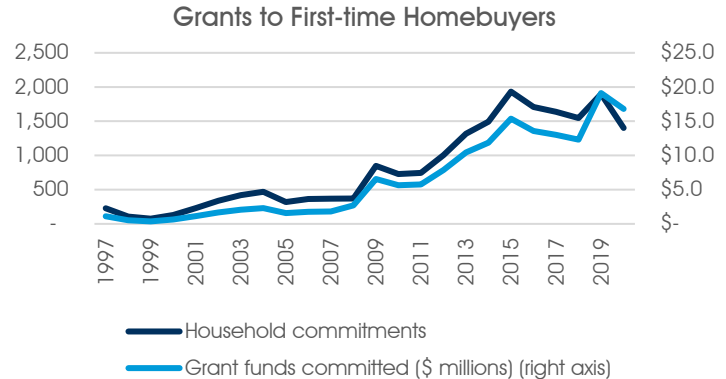
Community Investment Overview (continued)

HOMEBUYER DREAM PROGRAM®

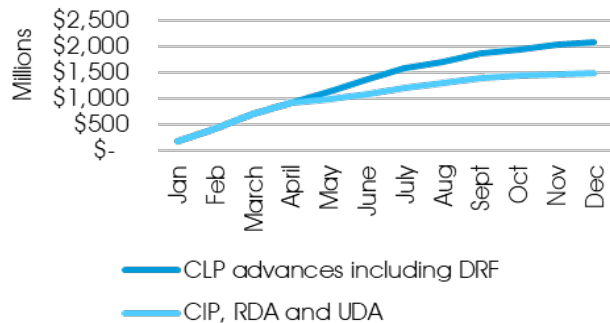
The HDP is a Homeownership Set-Aside Program that provides funds in the form of a grant to be used towards down payment and closing cost assistance to first-time homebuyers earning at or below 80% of the Area Median Income (AMI) and purchasing homes in New York, New Jersey, Puerto Rico or the U.S. Virgin Islands. Grants up to \$10,000 each, including up to \$500 towards the defrayment of costs for homeownership counseling, are determined by participating FHLBNY members.

Household commitments: 20,000

Subsidy committed: \$156 million



2020 cumulative advances



COMMUNITY LENDING PROGRAMS

The programs provide members with discounted rate advances for eligible purposes: The Community Investment Program supports housing related activities where the households' incomes do not exceed 115% of the area median income; the Urban Development Advance funds loans for economic development in urban areas and benefitting individuals or families in areas where the median income is at or below 100% of the AMI; and the Rural Development Advance program targets rural areas where the tract income is at or below 115%. The Disaster Relief Funding program makes these same discounted advances available anywhere with a federal or state disaster declaration.



AFFORDABLE HOUSING PROGRAM



AHP General Fund Basics

Application
Processing

Progress Reporting

Initial Monitoring

Long Term
Monitoring

- » Program Structure
- » Applications are analyzed through a multi-stage process including program eligibility, scoring and financial feasibility. Top scoring applications that satisfy all criteria are recommended for approval until AHP funds are exhausted.
- » Program Requirements
- » Maximum subsidy is \$40,000 per AHP Targeted unit or \$2,500,000 per project, whichever is less
- » Funds may only be used for approved purposes:
 - Acquisition, construction or rehabilitation of:
 - Rental housing in which at least 20% of the project's occupants earn 50% or less of the area median income
 - Owner-Occupied housing in which the household earns 80% or less of the area median income
- » 15 year retention period for rental projects / 5 year retention period for homeowner projects



AHP Scoring Framework

Use of donated or conveyed government-owned or other properties – 5 pts

Sponsorship by a not-for-profit organization or government entity – 7 pts

Targeting – 20 pts

Underserved Communities and Populations – max. 12 pts

Homeless Households – 6 pts

Supportive Housing – 6 pts

Extremely Low Income – 6 pts

Creating Economic Opportunity: Residential Economic Diversity

Mixed Income Housing – 10 pts

High Opportunity Area – 10 pts

Community Stability: Preservation of Affordable Housing – 10 pts

District Priorities – max. 36 pts

Project Readiness – 10 pts

Owner-Occupied Projects – 5 pts

Small Projects – 5 pts

In-District – 5 pts

Green Building Innovation – 5 pts

Member Financial Participation – 6 pts

AHP Subsidy per Unit – 5 pts



HOMEBUYER DREAM PROGRAM



HDP Overview

- » Non-competitive first-time homebuyer set-aside of Affordable Housing Program
- » Provides down payment and/or closing cost assistance to first-time homebuyers
- » FHLBNY Assistance provided as a grant up to \$9,500 per household with an additional \$500 towards defrayment of non-profit counseling agency costs for a total maximum grant amount of \$10,000
- » Member determines household eligibility and ensures the following:
 - Household is a first-time homebuyer
 - A total anticipated income at or below 80% area median income
 - Completion of homeownership counseling
 - Provide a fully executed Purchase and Sales Contract
 - A minimum equity contribution of \$1,000 towards the purchase
 - Mortgage provided by the member
 - Execution of a 5-year retention document at closing



HDP Program Life Cycle

DETERMINATION OF HOUSEHOLD ELIGIBILITY

- Member qualifies household based on program parameters outlined within the HDP Guidelines.

HOUSEHOLD RESERVATION REQUEST

- Member submits a new household reservation request to the FHLB NY via online portal.

COMMITMENT OF GRANT

- FHLB NY reviews reservation request for eligibility and upon approval issues a commitment to the Member for a period of 120 days.

FUNDING OF GRANT

- Member submits a funding request no later than 15 days prior to the commitment expiration.
- Funds are disbursed to the Member on a post-closing basis.

RETENTION PERIOD

- Household is required to remain in the home during the 5-year retention period.



COMMUNITY LENDING PROGRAMS



CLP Features

- » CLP is a suite of advances that serve as economical funding for member institutions to help increase the availability of housing and community development finance for low-to-middle income families and communities.
- » Comprised of four (4) distinct advances:
 - Community Investment Program (CIP) - primarily supports residential lending
 - Rural Development Advance (RDA) - supports economic development activity in rural areas
 - Urban Development Advance (UDA) - supports economic development activity in urban areas
 - Disaster Relief Funding (DRF) – funding for disaster relief efforts
- » Pricing is typically discounted 15 – 25 bps when compared to other FHLBNY advances
- » Tenor is 1 to 5 years
- » Member caps are the lesser of 3% of asset size or \$100 million with a floor of \$25 million for members where 3% of assets is less than \$25 million



Eligible CLP Activities

» Eligible Member Lending Activity

- Loans originated within 90 days of receiving funding may be submitted as support for advances related to financing of housing or economic development activities to targeted beneficiaries.

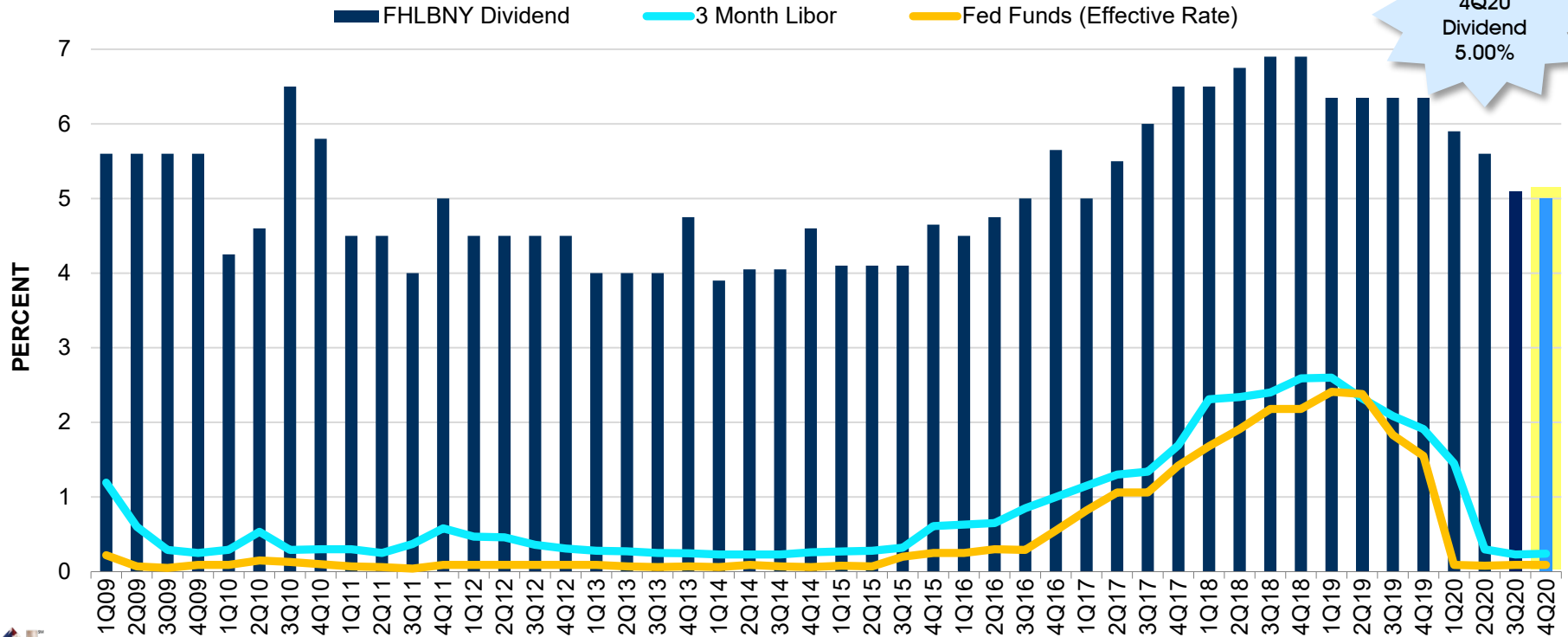
» Housing and Economic Activities

- Housing – The purchase, construction, rehabilitation or refinancing of, or predevelopment financing for the following:
 - » individual owner-occupied housing units,
 - » projects involving multiple units of owner-occupied housing,
 - » rental housing, or
 - » manufactured housing parks
- Economic Development – Economic development activities includes commercial, industrial, manufacturing, social service, public or private facility and infrastructure activities, such as roads, utilities, and sewers.



Our Dividends Have Been Reliable and Exceeded Market Reference Rates

FHLBNY Dividend History



FHLBNY
4Q20
Dividend
5.00%



“As long as markets remain open, and a member has pledged sufficient qualifying collateral and is willing to purchase the requisite amount of capital stock, the FHLBNY will always continue to lend to our members to help you meet your community’s needs.”



José R. González
President and CEO





Federal Home Loan Bank
NEW YORK

Advancing Housing and Community Growth

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