

2015 Community Lending Plan

Executive Summary

The Federal Home Loan Bank of Boston (FHLB Boston) is a wholesale financial institution dedicated to serve our member financial institutions and support affordable housing and economic growth throughout New England and the nation where our members conduct business. Annually, the FHLB Boston conducts research and develops this Community Lending Plan in order to identify housing and economic development credit needs and opportunities for the coming year.

Six community development priorities have been identified for 2015:

1. Production and preservation of affordable rental housing;
2. Support of affordable homeownership opportunities for low-income households and first-time home buyers;
3. Reinvestment in distressed and at-risk neighborhoods in order to rebound from the financial crisis and recession;
4. Support of economic development for job growth and small business finance;
5. Focus on energy-efficiency and long-term sustainability for both buildings and communities; and
6. Partnership with our member financial institutions, state housing finance agencies, regulatory authorities, community development financial institutions, and other stakeholders in support of community development initiatives.

The FHLB Boston will continue to offer its housing and community investment programs to our member financial institutions and their partners in order to respond to these priorities.

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2015 Market Analysis and Research:

Regional Affordable Housing and Community-Economic Development Needs, Market Opportunities, and Priorities

The FHLB Boston annually conducts market research to identify regional affordable housing and community-economic development credit needs and business opportunities so that the Bank can support our members, community developers, and other stakeholders to meet these needs. State level needs and community development priorities were primarily derived from the Low Income Housing Tax Credit Qualified Allocation Plans (QAP) for each of the six New England states. Additional information and priorities were identified through supplemental primary and secondary research as well as FHLB Boston outreach in 2014.

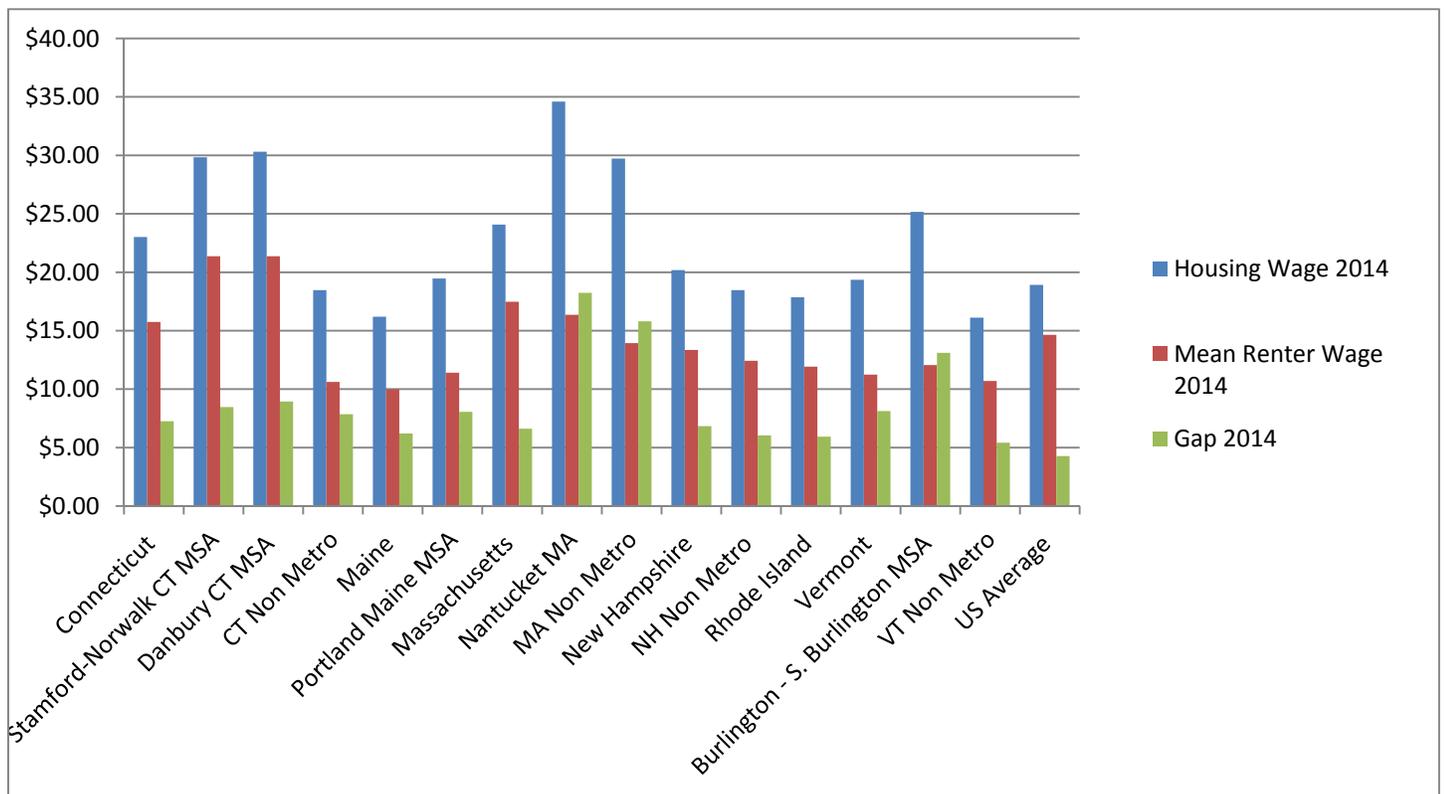
From this needs analysis, the FHLB Boston has identified 2015 Community Lending Plan initiatives and activities and has established Quantitative Targeted Community Lending Performance goals. This information informs the development and operations of the Bank's Housing and Community Investment programs: the Affordable Housing Program (AHP), the Equity Builder Program (EBP), and the Community Development Advance (CDA) program. The 2015 Community Lending Plan is developed in consultation with the FHLB Boston's Advisory Council representing community and not-for-profit housing and economic development organizations from each of the six New England states.

Priority 1: Production and preservation of affordable rental housing

- The six New England states have unanimously voiced the need for supplemental affordable housing creation and revitalization. The top priority listed in each state's qualitative allocation plan is to provide more housing options for cost burdened low income residents.
- Members and sponsors identified the need for both the creation of affordable homeownership opportunities for low-income households and the development of rental and supportive housing.
- According to the Harvard University Joint Center for Housing Studies (Harvard Joint Center or HJCHS), roughly half of all renters in the United States are cost burdened, spending over 30 percent of their incomes on housing expenses.
 - One fourth of renter households spend over 50 percent of their income on housing costs. The combination of rental cost increases and income decreases have contributed to the widening gap of affordability. (HJCHS, 27)
- In its annual *Out of Reach* study, the National Low Income Housing Coalition (NLIHC) demonstrates the continuing gap between housing rents, hourly incomes of low-income households, and the housing wage needed to afford these higher rents.
 - New England States have some of the highest rents in the nation.
 - The inflation-adjusted worth of the federal minimum wage is currently 20 percent less than it was valued in 1981. (NLIHC, *Out of Reach 2014*, 6).

The following graph and data table illustrate the discrepancies between average wages and average rent for a two-bedroom apartment across New England. Figure 1 and the accompanying table (Table 1) depict the mean renter hourly wage in each geographic area and the mean hourly wage required to pay for housing costs of an average two bedroom unit. In green is the difference between the mean housing hourly wage to cover housing expenses and the mean hourly wage in the area. From the southwest Connecticut MSAs to rural Vermont, all New England states have larger gaps between housing prices and mean wages than the national average. There is no county or MSA in New England in which an individual earning the mean hourly area wage can comfortably (paying 30 percent or less of income on housing) afford an area mean priced two bedroom rental unit. Communities within Massachusetts and Connecticut contain some of the highest costs of living in the nation. (NLIHC, *Out of Reach 2014*)

Figure 1: Gap Between Renter Wage and Housing Wage by State and Nation: 2014



Source: National Low Income Housing Coalition, *Out of Reach 2014*.

Table 1: Gap between Renter Wage and Housing Wage by State and Nation 2012-2014

	Housing Wage 2014	Housing Wage 2013	Housing Wage 2012	Mean Renter Wage 2014	Mean Renter Wage 2013	Mean Renter Wage 2012	Gap 2014	Gap 2013	Gap 2012
U.S Average	18.92	\$18.79	\$18.25	\$14.64	\$14.32	\$14.15	\$4.28	\$4.47	\$4.15
Connecticut	\$23.01	\$23.22	\$23.58	\$15.75	\$15.71	\$15.81	\$7.26	\$7.51	\$7.77
Stamford-Norwalk CT MSA	\$29.83	\$31.69	\$34.02	\$21.37	\$21.24	\$21.26	\$8.46	\$10.45	\$12.76
Danbury CT MSA	\$30.31	\$26.62	\$29.08	\$21.37	\$21.24	\$21.26	\$8.94	\$5.38	\$7.82
Non Metro CT	\$18.47	\$19.51	\$19.89	\$10.62	\$10.36	\$10.42	\$7.85	\$9.15	\$9.47
Maine	\$16.19	\$16.31	\$15.10	\$9.99	\$9.85	\$9.82	\$6.20	\$6.46	\$5.28
Portland Maine MSA	\$19.46	\$19.38	\$18.94	\$11.40	\$11.28	\$11.28	\$8.06	\$8.10	\$7.66
Massachusetts	\$24.08	\$24.05	\$22.84	\$17.47	\$17.17	\$16.94	\$6.61	\$6.88	\$5.90
Nantucket MA	\$34.60	\$36.10	\$34.60	\$16.36	\$16.65	\$16.48	\$18.24	\$19.45	\$18.12
Non Metro Massachusetts	\$29.73	\$31.73	\$31.08	\$13.93	\$12.83	\$15.34	\$15.80	\$18.90	\$15.74
New Hampshire	\$20.18	\$20.47	\$19.29	\$13.35	\$13.14	\$13.13	\$6.83	\$7.33	\$6.16
Non Metro New Hampshire	\$18.47	\$18.84	\$17.42	\$12.43	\$12.33	\$12.34	\$6.04	\$6.51	\$5.08
Rhode Island	\$17.86	\$18.18	\$17.78	\$11.92	\$11.73	\$11.64	\$5.94	\$6.45	\$6.14
Vermont	\$19.36	\$18.53	\$18.77	\$11.24	\$11.32	\$11.06	\$8.12	\$7.21	\$7.71
Burlington-S. Burlington MSA	\$25.17	\$19.79	\$21.62	\$12.06	\$12.33	\$12.04	\$13.11	\$7.46	\$9.58
Non Metro Vermont	\$16.11	\$17.82	\$17.20	\$10.70	\$10.65	\$10.43	\$5.41	\$7.17	\$6.77

Source: National Low Income Housing Coalition, *Out of Reach 2014*

The importance of rental operating assistance

Eligibility for rental operating subsidies continues to increase but the availability of subsidies is limited and decreasing. The Harvard Joint Center noted that the number of households eligible for federal rental subsidies rose from 15.9 million in 2007 to 19.3 million in 2011 but only one-fourth were able to receive assistance. (HJCHS, 30)

Housing Starts and Permit Activity

Sustained housing start growth is vital in providing housing options for renters and potential homebuyers. Year over year comparing the first quarters of 2013 and 2014, Maine and Massachusetts have seen growth in housing starts and there is also some positive movement more recently in Connecticut. Overall, New Hampshire, Rhode Island, and Vermont have experienced a more continued decrease from the first quarter of 2013 to first quarter 2014. Diminished housing starts often accompany reduced affordable rental construction and availability prompting supply concerns.

Table 2: Total Single-family and Multifamily Housing Starts, Seasonally Adjusted at Annual Rates (in Thousands)

State	Q1, 2013	Q2, 2013	Q3, 2013	Q4, 2013	Q1, 2014	Q2, 2014
CT	5.55	3.79	5.47	4.57	5.28	6.68
ME	2.47	3.08	2.88	3.08	2.6	3.26
MA	12.1	11.05	14.38	12.2	14.4	11.86
NH	2.43	2.59	2.63	2.34	1.96	3.11
RI	1.04	0.72	0.72	0.92	0.82	0.85
VT	1.55	1.5	1.42	1.38	1.14	1.3

Source: Haver Analytics

Sustained job growth since 2010 and improving market conditions have led to an improving housing market climate in many parts of New England according to the HUD Office of Policy Development and Research.

- Overall single-family permits increased five percent from the first quarter of 2013 to 2014 across New England, continuing a trend but slowing, compared with an increase of 12 percent during the same period a year earlier.
- Among the six New England states, single-family home permitting grew the most in Connecticut (34 percent) and also increased in Vermont (13 percent), Massachusetts (7 percent), and Maine (4 percent).
- Single-family home permitting decreased in New Hampshire and Rhode Island, however. (Murphy, HUD Office of Policy Development and Research, *1st Quarter 2014 New England Regional Report*, 4)

The trends in rental/multifamily development from 2013 to 2014 reflect a different story however.

- The number of multifamily units permitted decreased more in the New England region than in any other region in the nation, declining 24 percent year over year.
- This net loss is primarily driven by declines in Massachusetts and Connecticut.
- Vermont was the only state to record an increase in multifamily permits (from 95 to 130 units.)
- Consequently, many municipalities of all sizes, including Boston and Worcester, continue to have lower vacancy rates, reflecting inadequate supply and higher and/or rising housing costs. (Murphy, 4-5)

Housing the Homeless

Development of housing for homeless individuals and families remains a constant housing challenge and federal and state funding priorities. Within New England and nationally, this focus is producing positive results, expanding the housing stock serving the homeless and reducing the number of homeless households (in shelters and unsheltered) and homeless veterans. According to 2013 HUD data, nationally the number of homeless people declined by four percent and the number of homeless families declined seven percent from 2012 to 2013. The number of people identified as chronic homeless also declined seven percent over this period. The number of homeless veterans continues to decrease from 2010 and declined eight percent from 2012-2013, falling to approximately 57,000. At the same time, the annual January point in time survey indicated the overall number of homeless persons was 610,042 of which 35 percent remained unsheltered. (HUD, *The 2013 Annual Homeless Assessment Report (AHAR)*, 1)

Within New England, addressing homelessness remains a top priority. HUD reports that Massachusetts and Maine ranked among the top five states with an increase in homelessness from 2012-2013 with an additional 1,528 persons (8.7 percent) and 623 (26 percent) respectively. (HUD, *AHAR*, 8)

Table 3: Estimates of Homeless People 2013

State	Homeless Persons by State
CT	4,448
MA	19,029
ME	3,016
NH	1,447
RI	1,384
VT	1,454

Source: U.S. Department of Housing and Urban Development. The 2013 Annual Homeless Assessment Report, pg. 8.

Housing for the Elderly and Special Needs

New England states, as demonstrated by the QAPs, are also prioritizing elderly housing and supportive housing in response to demographic trends.

- Maine's QAP prioritizes elderly housing near economic and cultural amenities, acknowledging that population growth has slowed and the state's median age (42.7) is the highest in the nation. (U.S. Census Bureau, *2010 Census Summary, Table 3*)
- Similarly, the Massachusetts QAP also calls for additional elderly housing to be developed.
- Rhode Island and Maine also prioritize housing for persons with special needs or disabilities.

Priority 2. Support of affordable homeownership opportunities for low-income households and first-time home buyers

- In 2013, member financial institutions surveyed by the FHLB Boston identified supporting responsible and affordable homeownership opportunities for low-income and first-time home buyers as their highest affordable housing priority.

- The neighborhood stabilizing effects and benefits of owner-occupied housing are recognized by a wide range of stakeholders, institutions, and communities across New England.
- Supporting homeownership is complicated by the short- and long-term consequences of the financial crisis and Great Recession including a decline in homeownership rates and regulatory changes affecting the availability of residential mortgage lending.

The nationwide homeownership rate declined for the eighth consecutive year, resting at 64.8 percent at the end of the first quarter of 2014. The Harvard Joint Center reports that the reduction in homeownership rates has been especially dramatic for Americans age 25-34 and 35-44, declining by eight and nine percent respectively between 2004 through 2013. (HJCHS, 17) Lowered incomes and other debt obligations, including student loans, also serve as a detriment to homeownership for young to middle aged adults. Median incomes for this demographic are still currently near record lows dating back to 1970. (HJCHS, 14)

Within New England, while the overall homeownership rates in Connecticut, Maine, New Hampshire, and Vermont continue to exceed the national level, homeownership rates have fluctuated and varied across communities and demographic groups, largely trending downward as a result of the Great Recession. Other contributing factors include rising home prices, rising interest rates, stricter credit standards and regulatory requirements, and student loan burdens and other personal and family debt.

Table 4: Homeownership rates for the Nation and New England (Percentage)

	Q1 2006	Q1 2007	Q1 2008	Q1 2009	Q1 2010	Q1 2011	Q1 2012	Q1 2013	Q1 2014
US Average	68.5	68.4	67.8	67.3	67.1	66.4	65.4	65	64.8
Connecticut	71.5	71	70.5	71	72.3	70.7	67.2	67.1	69.1
Maine	75.5	75.1	73.3	74.7	73.9	73.8	72.9	73.6	71
Massachusetts	63.7	64.4	65.1	64.6	63.8	65.5	66.2	66.2	62.2
New Hampshire	73.4	71.5	75.2	76.5	75.8	74.5	73.3	74.5	73.7
Rhode Island	63.6	64.4	64	63.4	63.5	62.5	61.4	62.7	63.1
Vermont	76.4	73.4	73	74.6	75.3	74.1	74.4	73.6	72.5

Source: U.S. Census Bureau. *Housing Vacancies and Homeownership*, Table 3: Homeownership Rates by State.

While the economy has partially rebounded across New England since the recession, housing prices and the cost of residential mortgage credit have increased significantly. The Harvard Joint Center reports in *State of the Nation's Housing 2014* that, based on National Association of Realtors data, the median home price climbed 10 percent in December 2013. (HJCHS, 18) Similarly, the Federal Housing Finance Agency (FHFA) reports rising prices both nationally and within New England. From April 2013 to April 2014, the FHFA reports a 5.9 percent increase. There has also been some house price appreciation across the region for all of the New England States except Vermont. (Tables 5 and 6)

Table 5: FHFA U.S. Price Index Report: Monthly Index Purchase Only Values (Seasonally Adjusted January 1991=100)

	April 2013	April 2014
US	199.6	211.4
New England	206.8	213.1

Source: Federal Housing Finance Agency. News Release: U.S. House Prices Flat in April. 2014.

Additionally, the costs related to financing a home purchase are rising. The interest rate on a 30-year fixed-rate mortgage is up by nearly a full percentage point from 2012. In the wake of the financial crisis, the availability of mortgage insurance has retrenched and the cost of mortgage insurance premiums has also risen. (HJCHS, 18-20) Due to these credit restraints, more homebuyers have turned to federal housing agencies for government insured mortgages. Unlike private lenders, agencies such as the Federal Housing Administration, Veterans Affairs, and the Farm Service Agency often offer loans to borrowers with poor credit. Massachusetts housing stock containing government backed originations currently comprise 25.3 percent of all mortgages. Conversely, Rhode Island's financial institutions reported that 48 percent contained government backed mortgages. (Benderskaya, Communities & Banking Summer 2014, Federal Reserve Bank of Boston, 20)

In the FHLB Boston's online community development surveys conducted in 2013, members and sponsors noted multiple obstacles facing potential homebuyers. Lack of savings for downpayment, low credit scores, and changing regulatory rules ranked as the top challenges to providing and obtaining mortgage credit. (FHLB Boston, 2013 online surveys)

Foreclosures

The risk of foreclosure and the corresponding impacts on families and neighborhoods still remain a concern for homeowners and policy makers throughout New England.

In terms of number of foreclosures, most New England states appear on their way to recovery from the preceding financial crisis but progress varies by state. In terms of mortgage delinquency rates, Massachusetts has recovered from a peak delinquency rate of 3.41 percent in 2010 to 1.94 percent in the first quarter of 2014. While declining, mortgage delinquencies remain higher in Connecticut by comparison. Maine is experiencing some improvement as well as Rhode Island. Delinquencies in New Hampshire are now the lowest at 1.4 percent. Vermont, on the other hand has experienced an increase in mortgage delinquencies since 2010 but the trend appears to be improving, declining from 3.99 percent in the first quarter of 2012 to 3.21 percent in the first quarter of 2014. The number of mortgages in foreclosure is also declining across all six New England states. (See tables 6 and 7 below) The five county Greater Boston area has seen a tremendous rebound in foreclosure totals. From 2008 through 2013, the amount of foreclosures in Greater Boston dropped from 3,055 to 762, a nearly 75 percent decrease. (Dukakis Center for Urban and Regional Policy. The Greater Boston Housing Report Card 2013. Northeastern University. Pg. 35)

Table 6: Mortgage Foreclosure Inventory – Delinquency rates of 1-4 unit residential mortgage loans, Selected Quarters

Not seasonally adjusted, inventory (end of quarter)

	Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
2007 Q1	0.93%	0.59%	1.14%	0.83%	1.22%	0.82%
2008 Q1	1.81%	1.13%	2.28%	1.62%	2.75%	1.39%
2010 Q1	3.93%	2.93%	3.41%	2.55%	3.60%	2.68%
2012 Q1	5.35%	4.12%	2.98%	2.42%	4.08%	3.99%
2014 Q1	4.19%	2.90%	1.94%	1.40%	2.87%	3.21%

Source: Haver Analytics

Table 7: Number of Mortgages in Foreclosure

	Number of Mortgages Serviced				Number of Mortgages in Foreclosure			
	Q1 2013	Q2 2013	Q1 2014	Q2 2014	Q1 2013	Q2 2013	Q1 2014	Q2 2014
Connecticut	483,866	476,986	492,168	496,019	24,580	23,849	20,622	19,642
Maine	126,127	123,613	126,614	125,625	7,315	6,947	5,964	5,666
Massachusetts	740,997	731,870	759,571	754,744	19,266	19,248	14,736	14,718
New Hampshire	175,018	174,578	179,578	178,199	3,290	3,107	2,514	2,406
Rhode Island	129,048	126,042	130,332	128,959	5,020	4,323	3,741	3,611
Vermont	58,943	57,973	59,007	57,814	2,305	2,145	1,894	1,711

Source: Haver Analytics

Priority 3. Reinvestment in distressed and at-risk neighborhoods in order to rebound from the financial crisis and recession

- Responding to blighted, abandoned, or foreclosed buildings is a common priority among the six New England QAPs.
- Individuals and families that are living in low rent areas often trade affordability for safety and access to fewer opportunities and resources, e.g. lower performing schools.
- This focus includes emphasizing funding developments in distressed and/or at-risk neighborhoods, mitigating blight and crime, and promoting investments in public infrastructure to facilitate economic development of neighborhoods.
- Capital funding is necessary to address abandoned, foreclosed, and/or blighted buildings supporting affordable housing, community development, and contributing to economic growth.

In Massachusetts and Connecticut, the associated housing stock in areas with lower rents and sales prices is often in need of rehabilitation or demolition and replacement. Additionally, these communities have a higher proportion of vacant or foreclosed properties. Consequently for example, the Massachusetts QAP prioritizes restoring abandoned or foreclosed properties and revitalization efforts that benefit the economic opportunities and social capital of communities.

Investing in neighborhood development is imperative for Rhode Island communities hit hard by the Great Recession. Much of Rhode Island's existing housing stock is aging, has moderate to severe hazards such as lead-based paint, or has been abandoned or foreclosed. Reuse of these properties as well as adaptive reuse, are priorities for Rhode Island. Similarly, both the New Hampshire and Vermont QAPs identify preservation, neighborhood revitalization, and reuse of abandoned properties in order to help make these communities more vibrant and resilient. This includes focusing investment into designated community revitalization areas in downtown centers as well as historic preservation.

Priority 4. Support of economic development for job growth and small business finance

- Members and sponsors identified in the 2013 online community development surveys identified unemployment/underemployment, the credit quality of small businesses, and the need for workforce development as critical economic development challenges and needs.
- Investments in affordable rental and homeownership housing also support economic development.

Nationally and across New England, unemployment rates appear to be stabilizing and recovering from the Great Recession. However, unemployment rates in Rhode Island and Connecticut continue to exceed the national average and highlight the continued need for job growth and economic opportunity. Job creation and retention are explicitly linked to housing affordability. Rhode Island's high unemployment figures exacerbate the fact that fifty percent of the state's renter population is currently cost burdened. (*Rhode Island Housing, 2015 QAP, 5*)

Table 8: New England Unemployment Rates: 2013 - 2014

State	May 2013	May 2014	Change: 2014 from 2013
CT	7.7	6.9	-0.8
MA	6.9	5.2	-1.7
ME	6.6	6.9	-0.7
NH	5.0	4.4	-0.6
RI	9.5	8.2	-1.3
VT	4.1	3.2	-0.9
U.S.	7.3	6.1	-1.2

Source: United States Bureau of Labor Statistics News Release "Metropolitan Area Employment and Unemployment – May 2014, July 1, 2014.

The Federal Reserve Bank of Boston reports that through May 2014 the economic outlook continues to improve for New England. Employment levels for the nation and New England have improved, exceeding pre-recession levels for the first time. Massachusetts is the only state to have fully recovered all jobs lost in the recession. New England employment has grown slower than the nation at 1.3 percent. Within New England, Maine, Massachusetts, and Rhode Island grew more, these gains were muted by slower employment growth in Connecticut and Vermont. (Federal Reserve Bank of Boston, New England Economic Indicators: Snapshot of the New England Economy Through June 25, 2014)

Priority 5. Focus on energy-efficiency and long-term sustainability for both buildings and communities

- Funders, lenders, investors, and developers continue to value smart growth locational benefits and develop affordable housing assets to be as durable and energy- and resource-efficient as possible.
- State and municipal officials and others are also focusing on land use and disaster preparedness planning as well as ongoing efforts to mitigate recent past disasters to ensure that our neighborhoods are more resilient.

Efficient building development and ensuring cost-effective operations are part and parcel to achieving long term affordability and overall successful performance of the housing. Housing developers identified energy retrofitting and future training around sustainable development as critical activities. (FHLB Boston, Online Sponsor Survey, 2013)

Federal and state funders are increasingly placing a value on the smart growth location of housing near employment, transportation services, schools, open space, and grocery stores and other community amenities. This includes attention given to transit-oriented development and mixed-income housing. Together this promotes economic opportunity for residents and the neighborhood.

Investing in smart growth design practices reduces cost burdens on suburban and rural residents. A lack of transportation options throughout suburban and rural New England places additional cost burdens on low income residents already heavily cost burdened by housing costs. Indeed, the cost of driving to work for one suburban driver in the Hartford MSA totals approximately \$3,500 per year. This can prove costly for lower income renters and homeowners. (Federal Reserve Bank of Boston, New England Community Outlook Survey, August 2014.)

Incentivizing sustainable development building practices and developing both in downtown centers, and mixed-income housing are priorities in all of the state Qualified Allocation Plans for the six New England states. Massachusetts has incorporated sustainable development principles which call for advancing equity, wise use of natural resources, clean energy promotion, and diversification of transportation options. Similarly, Rhode Island's Keepspace Initiative calls for development promoting sensible infrastructure, a healthy living environment, and strong commercial centers. In its QAP, Vermont rewards housing within walking distance of downtown/village centers, being near transit, and green building and sustainable design. Often this focus complements the focus on distressed and at-risk communities.

Disaster Preparedness/Mitigation

Several New England states have addressed the need for disaster mitigation methods and sustained budgets for the rehabilitation of recently damaged areas. Connecticut has established a disaster recovery program allocation within its community development block grant funding.

Growing out of the responses to Tropical Storm Irene and Super Storm Sandy, Vermonters are focusing on preparedness, planning, and funding development to ensure resilient communities.

This takes the form of allocating Community Development Block Grant funding to redevelop damaged communities. Vermont has also made it a priority in the QAP to address the need for disaster mitigation and damage remediation efforts. (Vermont HUD Consolidated Plan and Vermont QAP).

Priority 6. Partnership with our member financial institutions, state housing finance agencies, regulatory authorities, community development financial institutions, and other stakeholders in support of community development initiatives

- Efforts to address all of these priorities, affordable housing or economic development needs identified above can only be realized through partnership and collaboration among private developers and lenders, public officials, FHLB Boston, and other stakeholders.
- Affordable housing investments and service-enriched housing are increasingly seen as having long-lasting positive education and health outcomes.
- New partnerships with hospitals and other healthcare stakeholders are emerging as a result of the federal Affordable Care Act healthcare legislation. This creates the potential for new resources for affordable housing development.
- The FHLB Boston will continue to deepen these working relationships to support our shared investments and expand program utilization and future program development.
- In the community lending plan surveys conducted in 2013, members and community sponsors identified future networking and training opportunities around affordable housing finance mechanisms, including FHLB Boston products, lending and underwriting, and green building/energy retrofitting.

In 2014 the Bank conducted a study of business opportunities and obstacles with New England state housing finance agencies (HFA). The following five areas will be the focus for developing HFA business:

- Strengthen lines of communication with HFAs;
- Explore opportunities for advances to HFAs;
- Explore potential to purchase HFA private placement bonds;
- Explore opportunities for HFA participation in MPF program; and
- Explore additional suggestions for supporting HFAs and affordable housing.

There is a growing recognition among public and private stakeholders that real estate investments in affordable housing/community revitalization lead to positive education and health outcomes. This presents a new area of opportunity to expand partnerships among housing, education, and healthcare policy makers, advocates, and public and private funders in order to identify new development models and funding.

In 2014, the FHLB Boston conducted two separate focus groups with members and community sponsors to follow up on the community lending plan surveys. The focus groups detailed specifics about what makes for successful affordable housing/community development investments and identified some obstacles, and possible future outreach/training activities for the FHLB Boston.

Participating members highlighted:

- Sponsor capacity to develop and manage affordable housing properties is the most important attribute, more critical than financial wherewithal, because of the importance to manage problems as they arise.
- Public funding e.g. Low Income Housing Tax Credits drives the deals.
- Often operating subsidies are essential to make the deal work.
- Community Reinvestment Act considerations are valuable but ultimately safety and soundness priorities govern lending and investment decisions.
- As critical as it is for lenders to understand affordable housing finance mechanisms and underwriting nonprofits, nonprofit developers have to understand these mechanisms and underwriting considerations, as well as best practices for development and property management.

Sponsors discussed key development attributes, obstacles, and also program specifics about AHP. Sponsors noted:

- Local leadership and involvement is critical.
- NIMBY and other zoning issues are frequent obstacles.
- It is important that AHP remain a flexible capital gap funder available to fund a wide variety of housing types. As other federal and state funding becomes more scarce, AHP becomes more critical.
- Having high design standards combined with supportive services makes for a well designed facility meeting residents' needs.
- Operating subsidies are needed to fill the gap between rents and expenses.
- Developers, lenders and funders need common understanding of the costs and benefits of various energy efficiency development strategies.

Overall observations from these focus groups highlighted the importance of cooperation and partnership with other funders and stakeholders.

- Collaboration and partnership among various stakeholders is critical for successful affordable housing development.
- FHLB Boston programs operate efficiently because of the partnership among member financial institutions, developer firms, and state/federal finance agencies.
- The FHLB Boston supports and conducts a wide range of outreach, training, and networking initiatives to help facilitate successful affordable housing and economic development.

2015 Community Lending Plan Initiatives and Activities

1. Continue to effectively administer the HCI programs to support affordable housing and economic growth
 - a. Conduct targeted trainings on the HCI programs including applications and monitoring such as webinars addressing AHP reporting (extensions, modifications, reporting), disbursements, closeouts
 - b. Continue to offer the Community Development Advance program as an economic development funding mechanism
 - c. Celebrate 25 years of results of the AHP
2. Conduct outreach and networking activities to address affordable housing and economic development challenges and opportunities
 - a. Affordable housing financing and tools, including FHLB Boston programs and services and nonprofit underwriting
 - b. Property management and best business practices for nonprofit development organizations
 - c. The 2015 Affordable Housing Development Competition (15th anniversary)
 - d. Expand training and networking events with the Federal Reserve Bank of Boston, the Office of the Comptroller of the Currency, state housing finance agencies, NeighborWorks America, and other stakeholders
 - e. Community Reinvestment Act training for lenders and community developers
3. Identify critical district housing needs in the AHP
 - a. Preservation
 - b. Foreclosure
 - c. Disaster remediation/preparedness
 - d. Sustainable Development Building and Operations
4. Pursue community development and solutions-oriented research
 - a. Continue to research and implement program enhancements
 - b. Streamline online monitoring processing including AHP disbursements
 - c. Expand AHP to include program- and project-specific revolving loan fund initiatives
 - d. How to expand CDFI membership and the participation of insurance companies with the housing and community investment programs

Ongoing Initiatives and Activities

The FHLB Boston will continue to pursue several ongoing community development solutions:

- a) Continue to offer Community Development Consultations (CD Consults) with members to identify housing and economic needs and business opportunities and promote the Bank's housing and community investment programs
- b) Offer standby and confirming Letters of Credit
- c) Continue the Grants for New England Partnerships program based on the availability of funding

Quantitative Targeted Community Lending Performance Goals for 2015

1. Conduct targeted trainings and events on the FHLB Boston's housing and community investment programs.
2. Conduct at least three outreach activities to respond to the six primary priorities for 2015 or other community development priorities based on the interest of members, the Advisory Council, and community stakeholders, and the availability of funding.
3. Continue to research and implement program enhancements to:
 - a. Research and recommend program enhancements to the AHP
 - b. Expand broader participation in AHP by revolving loan funds
 - c. Explore how Bank programs can participate in disaster-response initiatives
 - d. Research other community development programs or products.

Appendix A: State Priorities as Identified in New England Low Income Housing Tax Credit Program Qualified Allocation Plans

Connecticut 2014 QAP	Massachusetts 2014 QAP	Rhode Island 2015 QAP (Draft)
<ul style="list-style-type: none"> • Reserving and increasing existing affordable housing stock • Rental affordability for low income families, and individuals with incomes lower than 50% of the AMI • Housing for homeless persons • Housing for special needs persons • Mixed income housing development • Development that bolsters existing infrastructure to facilitate a more resilient economy • Bolstering utility and transportation infrastructure • Energy efficient and cost effective housing and construction • Maximizing existing infrastructure while preserving natural resources 	<ul style="list-style-type: none"> • Housing for individuals, families and seniors with incomes lower than 30% of the AMI • Housing for homeless persons • Housing for persons with disabilities • Reinvestment in distressed and at risk neighborhoods • Preservation of existing affordable housing • Advancing housing near public amenities, jobs, transportation • Mixed use development • Sustainable Building and Implementation following “10 Sustainable Development Principles” including: advancing equity, wise use of natural resources, clean energy promotion, and diversification of transportation options 	<ul style="list-style-type: none"> • Provide and increase supply of affordable housing for very low income households • Housing for chronically homeless persons • Housing for persons with disabilities and or special needs • Mitigation of urban blight • Neighborhood stabilization • Development that promotes economic and business development • Goal of affordable housing comprising 10% of all housing in each community • Affordable housing in close proximity to social capital, jobs, and public transportation • Maintaining homes in line with RI’s Keepspace Initiative which promotes sensible infrastructure, a healthy living environment , and strong commerce

Maine 2015 QAP	New Hampshire 2015 QAP	Vermont 2015 QAP
<ul style="list-style-type: none"> • Creation and maintenance of an adequate supply of decent, safe and sanitary rental housing affordable for persons with Very Low Incomes • Rental assistance programs • Rehabilitation of existing housing stock • Housing for persons with disabilities and/or special needs • Housing for the elderly • Projects that contribute to economically diverse communities • Projects that incorporate smart growth principles and mixed use development • Efficient use of funds including projects with federal subsidies such as from USDA Rural Development and Housing & Urban Development (HUD) 	<ul style="list-style-type: none"> • Housing reserved for families and individuals with very low incomes • New construction – adding new units to housing markets • Creation of non-age restricted housing • Development near main streets, historic areas, and culturally significant areas. • Energy efficient and sustainable housing construction and design • “Smart growth” initiatives • Community development plans in Enterprise Zones, main streets, historic districts • Cost effective implementation • Establishing the completion of construction projects in a swift and timely manner 	<ul style="list-style-type: none"> • Affordable housing for households under 30% AMI • Family housing development • Blight removal and/or replacement of property damaged via natural disasters • Combatting areas containing high vacancy rates • Housing for persons with special needs • Rehabilitation measures including lead-based paint abatement, accessibility modifications, and energy efficiency upgrades • Housing within walking distance of downtown centers, main streets, village centers • Housing near public transit • Community infrastructure development • Mixed income development • Green building and sustainable design • Installation of broadband internet access in rural communities

Appendix B: Results of 2014 CLP Initiatives and Activities

The FHLB Boston fully met the five quantitative targeted community lending performance goals for 2014. The following table itemizes how the FHLB Boston has met each of the 2014 performance goals.

Goal 1. Conduct targeted trainings and events on the FHLB Boston's housing and community investment programs.		
	AHP	<ul style="list-style-type: none"> • Completed three targeted AHP Next Steps webinars for 2013 awardees • Completed 17 targeted AHP trainings and webinars for 2014 AHP Application.
	EBP	<ul style="list-style-type: none"> • Completed four 2014 EBP Application webinars • Completed four 2014 EBP Enrollment webinars • Completed three 2014 EBP Disbursement webinars
	CDA	<ul style="list-style-type: none"> • Completed three CDA webinars.
Goal 2. Conduct at least three outreach activities to respond to the six primary priorities for 2014		
Priority I	Housing Affordability/Production /Preservation	<ul style="list-style-type: none"> • Affordable Housing Development and Financing in Connecticut, Community Developers' Network Quarterly Meeting, May 7, 2014, New Haven, Connecticut. CHC, CHFA, CT-DOH, HDF. • Housing Development Workshop, New England Community Action Conference, May 15, 2014, Nashua, New Hampshire.
Priority II	Facilitating Affordable and Successful Homeownership	<ul style="list-style-type: none"> • National Community Land Trust Network Webinar, March 25, 2014. With FHLB San Francisco on Housing and Community Investment Programs. • New Mortgage Programs Training Workshop, May 7, 2014, Chelsea Restoration Corporation, MassHousing, and Massachusetts Housing Partnership.

Priority III	Persistent Unemployment/Under-employment/ Availability of Employment Options	
Priority IV	Recovery from Natural Disasters	
Priority V	Sustainable Development and Building Operations	<ul style="list-style-type: none"> Affordable Housing Development Competition, Boston, Massachusetts, April 29, 2014
Priority VI	Maintaining and expanding collaborative relationships with state housing finance agencies, other agencies, and stakeholders	<p>Completed</p> <ul style="list-style-type: none"> CRA for Community-Based Organizations, Braintree, Massachusetts, March 21, 2014. With Federal Reserve Bank of Boston (FRB), FDIC, OCC. CRA for Community-Based Organizations, Chicopee, Massachusetts, April 17, 2014. With FRB, FDIC, OCC. Strengthening Community Impact through Business Investing Workshop, Portland, Maine, May 15, 2014. With NWA. CRA for Community-Based Organizations, Portland, Maine, June 18, 2014. With FRB, FDIC, OCC. Strengthening Community Impact through Business Investing Workshop, Concord, New Hampshire, June 27, 2014. With NWA. Access to Capital, CDFI roundtable, September 3, 2014, Augusta, ME, with Maine Community Foundation. CRA 101 for Bankers, October 2, 2014, Augusta, Maine, with FRB, FDIC, OCC. CRA and its Impact on your Business Model, November 6, 2014, Concord, New Hampshire, with FRB, FDIC, OCC.

<p>Goal 3. Explore smaller-scale focus groups and other meetings with stakeholders to follow up on the 2014 Community Lending Plan member and sponsor surveys.</p>		
		<ul style="list-style-type: none"> • HCI completed a Members’ Only Community Development Lending Focus Group/Webinar, June 4, 2014. • HCI completed a Sponsors’ Only Community Development Lending Focus Group/Webinar, July 25, 2014.
<p>Goal 4. Continue to research and implement program enhancements</p>		
a.	Research and recommend program enhancements to the AHP	<ul style="list-style-type: none"> • Streamlined Income Targeting and Subsidy per Unit scoring categories to improve transparency and administration • Streamlined Community Stability scoring categories to improve administrative and program effectiveness
b.	Expand broader participation in AHP by revolving loan funds	<ul style="list-style-type: none"> • Expanded 2014 AHP Second District Priority scoring category to include program-based revolving loan funds. • 2014 AHP Application Webinar for Revolving Loan Funds conducted on July 17, 2014.
c.	Explore how Bank programs can participate in disaster-response initiatives	<ul style="list-style-type: none"> • Expanded 2014 AHP Second District Priority scoring category to include Disaster Remediation. • Added disaster prevention and mitigation development activities to the Sustainable Development Building Practices subcategory within the 2014 AHP Community Stability scoring category.
d.	Research other community development programs or products	<ul style="list-style-type: none"> • Researched mortgage revenue bond income limits for the six New England states

Economic Development Funding Supported by the FHLB Boston through the Community Development Advance Program (January through November 30, 2014)

Housing Initiatives:

Total Approved	46r
Owner Units	1,392
Rental Units	650
Total Members	25
Total Funds Approved	\$211,369,175
Total Disbursed	\$105,412,615

Economic Development Initiatives

Total Approved	78	\$873,817,610
Small Business	59	\$828,539,056
Targeted Economic Development Initiatives	13	\$33,093,325
Servicing Households at 80 Percent of AMI	4	\$33,230,295
Jobs Created/Retained		17
Rural Initiatives Approved		42
Urban Initiatives Approved		36
Total Members		48
Total Disbursed		\$388,859,945

Appendix C: Regulatory Requirements and Bibliography

12 FCR 952.4 and 12 CFR 1290.6 require that the FHLB Boston establish and maintain a community support program that provides technical assistance to members, promotes and expands affordable housing finance, identifies opportunities for members to expand financial and credit services to underserved communities, and encourages members to increase their targeted community lending and affordable housing finance activities by providing incentives and technical assistance. The 2015 Community Lending Plan is an integral part of the FHLB Boston's program and, as such, also codifies the FHLB Boston's community support program overall.

12 CFR 952.4 also requires that the Community Lending Plan should:

- Include market research,
- Include a description of how FHLB Boston will address identified credit needs and market opportunities,
- Consult with the Advisory Council, members, and other stakeholders in developing the Community Lending Plan, and
- Include quantitative targeted community lending performances and obligations.

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