

Federal Home Loan Bank of Atlanta

Annual Community Lending Plan

For 2004

Adopted December, 2003

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INTRODUCTION

Pursuant to Sections 944.6 and 952.4 of the Federal Housing Finance Board's regulations, the Federal Home Loan Bank of Atlanta has developed a Community Lending Plan that it revises annually.

The Community Lending Plan guides the Bank's efforts to support community economic development and job growth in the communities of its district by working in partnership with member financial institutions. The Plan incorporates the Bank's mission through partnering efforts, education and technical assistance services, financial products and expertise, and by the wide yet targeted dispersion of information about the Bank's accomplishments.

The Federal Home Loan Bank of Atlanta's Community Lending Plan was developed within the context of its overall mission. Our tag line—Building Stronger Communities—expresses our commitment to the pursuit of comprehensive community development that can be sustained over time.

This Community Lending Plan has been reviewed by the Advisory Council and approved by the Board of Directors.

COMMUNITY LENDING PLAN

Background

In 1998, the Atlanta Bank established an internal CICA task force representing a cross-section of Bank staff to develop recommendations to address unmet community credit needs in the Bank's district. In 1999, the Bank budgeted \$1 million for a CICA discount fund and expanded the CICA taskforce.

The task force's assessment suggested that the Bank promote a varied set of community economic development activities: comprehensive planning, to identify community strengths and weaknesses; partnership development, to bring public and private resources together; development of human capital, including leadership development, job training, and community-based initiatives; and the provision of non-debt (or patient) capital, including equity, capacity-building grants, and long-term investments.

Based on that assessment, two new programs were approved by the Bank's Board of Directors and launched in the fourth quarter of 1999: Economic Development Program (EDP) and the EDGE (Economic Development and Growth Enhancement) program. In 2001 and 2002, the Board approved the design and capitalization of two additional programs: the Predevelopment Fund, and the New Markets Fund, respectively. These four programs are described in the Products and Services section.

Implementation, Marketing, and Consultation

During 2003, staff organized and participated in teleconference calls and member meetings, and made presentations at state and national conferences specifically to raise awareness about the New Markets Fund, as well as the Bank's other economic development programs. Outreach activities included presentations at the annual national leadership conference of the Local Initiatives Support Corporation, a national policy conference of the National Congress for Community Economic Development, and a forum sponsored by the New Markets Tax Credits Coalition. As in 2002, the Bank held a townhall meeting on community development lending at its annual member meeting, as well as small sessions with entities receiving New Markets Tax Credit (NMTC) awards and member banks to discuss NMTC investment opportunities and the Bank's New Markets Fund.

The Bank's Advisory Council established a subcommittee of the Council to increase attention, guidance and leadership to economic development activities using CICA funds. This committee has urged an increased focus on public-private partnerships and capacity building, which is reflected in this plan.

The Bank increased its outreach activities with members and other constituents in 2003. Discussions were begun with Alabama Congressman Artur Davis and Initiative 7 regarding the Bank's possible support and involvement in efforts to spur economic development in the Black Belt region of Alabama. Staff participated in several meetings with Birmingham organizations to explore ways of increasing the financial support and technical and organizational capacity of

community development organizations in that city. The Bank continues to explore and respond to the community economic development needs and opportunities in its district, to consult with an informal network of community development entities including Bank members, national community economic development organizations, local community organizations involved in economic development, the Bank's Advisory Council, and others able to provide valuable input. The Bank also consults with the Bank's Housing Committee of the Board of Directors on a regular basis on the management of the current CICA programs and the development of the annual Community Lending Plan.

Products and Services

The Bank offers five programs to its members in support of its Community Lending mission—EDP, EDGE, EDGE Opportunity Fund, Predevelopment Fund, and the New Markets Fund—each of which are described below. Additional detail is available on the Bank's website.

I. Economic Development Program (EDP)

The Bank's EDP advance incorporates the community lending activity eligible under CICA regulations for the Community Investment Program, Urban Development Advance and Rural Development Advance. It is a flexible program, available to members only, and priced at the Bank's cost of funds plus administrative costs.

The Bank's marketing and technical assistance plan for EDP includes:

- Member visits and workshops
- Speaking engagements with banking groups
- Speaking engagements with economic development groups
- Meetings with economic development agencies and statewide organizations around the district
- Coordination of activities with Member Sales and Marketing
- Special mailings
- Articles in *Partnerships* and other Bank publications
- Bank website
- Special offerings of lower priced advances for limited periods of time

As of September 30, 2003, the Bank had received EDP applications from 18 members, and disbursed a total of \$82,260,492 in EDP advances to 14 members. Members used advances to fund loans to small businesses, businesses located in low- and moderate-income areas, and businesses creating jobs for low- and moderate-income people.

II. EDGE (Economic Development and Growth Enhancement)

The Bank's EDGE advance program is available to help members finance subsidized-rate loans for targeted community economic development projects. Because the Bank subsidizes the rate for EDGE advances, utilizing CICA funds budgeted for the program, projects are chosen through a formal selection process. The deadline for the Bank's annual EDGE offering was August 29, 2003.

The Bank's marketing and technical assistance plan for EDGE includes:

- Speaking engagements with economic development groups and banking groups
- Special mailings
- Articles in *Partnerships* and other Bank publications
- Articles for economic development publications
- One-on-one meetings with state economic development agencies, economic development intermediaries, selected nonprofits and members active in economic development
- Bank website

For the 2003 offering, the Bank received 22 applications from 18 members. At least one application was submitted for a project in every state, but not the District of Columbia, and at least one member from all states except Maryland and DC submitted an application. Seven of the 18 members were first-time EDGE applicants. The Board approved 16 projects for 13 members. These projects were awarded over \$12 million in advances, and will require more than \$3 million in subsidy. The projects were sponsored by member banks in a range of asset-sizes, from small community banks to large regional banks, and reflect a variety of eligible activities, including the renovation of two performing arts and education facilities, an office building for a mental health and dental clinic in a rural area, offices for several small business incubators, renovation of three vacant buildings into a mixed-use facility, expansion of a YMCA, and two microloan funds.

At the end of 2003, the Bank's EDGE portfolio will contain 68 approved projects sponsored by 42 members. As of September 30, 2003, the Bank had disbursed over \$9.3 million in EDGE advances, using more than \$1.7 million in subsidy, for 12 projects such as childcare centers, health care facilities, mixed-use facilities, and community centers. Examples of projects funded with EDGE include:

- Construction of a shopping center that will house a Food Lion supermarket and a police substation in a low-income community in Durham, NC
- Construction of a Child Development Center that provides physical, occupational, and speech therapies on-site, along with special education for up to 120 children with and without disabilities
- Loans and technical assistance to microenterprises throughout northeast Georgia

2004 Emphasis: As in 2003, Bank staff will provide targeted technical assistance to EDGE applicants not funded in earlier offerings, and will consider funding redefined applications out of round, under the EDGE Opportunity Fund.

III. EDGE Opportunity Fund

In 2001, the Board earmarked \$1 million of the \$6 million EDGE allocation for an EDGE Opportunity Fund. Investments from this fund would be made outside the normal EDGE selection process for emerging, unique and promising opportunities within the district that require special packaging and partnering to become viable. All projects must meet EDGE eligibility criteria. The Fund provides flexibility to better enable the Bank to forge partnerships, raise resources for future economic development efforts, produce a specific project, or assist a community bank to undertake a venture that leverages equity or ownership positions for workers in a hard-to-serve portion of the Bank's district.

One EDGE Opportunity award was made in June 2003 for \$1,260,000, requiring a \$325,328 subsidy, to Tri-State Community Health Center, Inc., to construct a new 8,000 sq. ft. Federally Qualified Health Center that will provide primary health care to 6,000 clients and create more than 30 jobs in rural Allegheny county in Maryland.

IV. Predevelopment Fund

The Bank's Predevelopment Fund was capitalized with \$1 million in 2001 to provide funding to members for certain eligible predevelopment expenses associated with affordable housing and community economic development projects; An additional \$643,900 was added to the Fund in 2003. The Fund provides up to \$100,000 (not to exceed 75% of total eligible predevelopment expenses) as a recoverable grant for projects sponsored by nonprofits within the Bank's district. The Fund has an open window for applications.

In 2003, the Bank received three, and approved two, Predevelopment Fund applications for economic development assistance of \$100,000 each. One application was for the construction of a new 8,000 sq. ft. Federally Qualified Health Center that will provide primary health care to 6,000 clients and create more than 30 jobs in rural Allegheny county in Maryland; this project also applied for and received an EDGE Opportunity award during 2003. The second application was for the development of a 5-story project consisting of one floor of retail businesses and 84 units of rental affordable housing in West Palm Beach, FL.

2004 Emphasis: Target efforts on un-funded 2003 EDGE applications, member institutions that have indicated an interest in conducting community development assessments, and assuring that all members and CDCs are aware and knowledgeable of the program.

V. New Markets Fund

With the enactment of the New Markets Tax Credit legislation of 2000, the Bank recognized the possibility for achieving an even greater impact than would result from a relatively small number of EDGE projects. With the goal of encouraging Bank members to make New Markets investments, the Bank's Board of Directors approved establishing a matching recoverable grant program, which became known as the New Markets Fund.

The Bank committed \$800,000 of the EDGE Opportunity Fund to this new initiative, designed to stimulate member participation in the New Markets Tax Credits program signed into law in December 2000. The Bank's funds were augmented by a \$200,000 grant from the Appalachian Regional Commission, establishing a \$1 million Fund. The New Markets Fund will be used to match dollar-for-dollar up to \$100,000 of members' investments in federally certified Community Development Entities (CDEs). Funds will be provided as a recoverable grant, to be repaid in seven, but not more than 10 years. Formally announced on October 1, 2002, applications for the New Markets Fund became available to members, through an open window, in March 2003, when CDFI announced the first group of NMTC awardees.

In addition, grant allocations for technical assistance of \$250,000 and \$50,000 have been approved for two New Markets Venture Capital funds: the New Markets Growth Fund operated by the Dingman Center for Entrepreneurship of Maryland, and the Southern Appalachian Fund based in Oak Ridge, Tennessee, respectively.

In 2003, the Bank received one New Markets Fund recoverable grant application from Heritage Bank and Trust, Norfolk, VA, for an investment in Hampton Roads Ventures, LLC, in Norfolk, VA, to support the development of two retail shopping centers, a YMCA, and a small business loan program.

2004 Emphasis: Continue to market the program to members and CDEs that receive NMTC allocations. Assess whether a refocus of this product would better encourage members' use of it to invest in NMTCs.

Bank Policies for CICA Targeted Beneficiaries

For individual beneficiaries, the Bank uses the family median income of the area, as published annually by HUD.

Beginning in 2004, the Bank will use the most recent census tract median income data available on the Federal Financial Institutions Examination Council website, www.ffiec.gov, to determine if a project is located in a neighborhood at or below the targeted income level. Neighborhood eligibility for mobile home parks under CIP is determined in the same manner.

For qualifying small business loans, the Bank excludes businesses that are excluded by the Small Business Administration under 13 CFR part 120.110 or any successor provisions.

2004 Quantitative Goals:

1. Obtain at least three Predevelopment Fund applications for economic development projects.
2. Commit the balance of the \$1 million originally allocated to the New Markets Fund.
3. Design and begin at least one economic development leadership/technical assistance/capacity building program for members.
4. Conduct one EDGE offering in mid-2004.
5. Convene meetings in 2004 with the authors and organizers of three proposals for Congressionally authorized commissions to promote community economic development in a group of counties known as the Black Belt.

2004 Strategies

1. Organize leadership and capacity building program.
2. Conduct community development assessments with members indicating an interest in such assistance and consultations.
3. Assist in establishing and participate in state funders' forums where the Bank and other funders can collaboratively and financially support projects developed by local CDCs and other sponsors.

4. Market the New Markets Fund to members, especially to those with assets below \$5 billion.
5. Seek to increase members' and end-users' understanding of the creative funding and partnering opportunities in community economic development, and stimulate formation of new partnerships.
6. Explore development in Baltimore of a small business finance program to make it easier for lenders to extend credit to inner-city firms by purchasing, pooling and selling small business loans made to marginally bankable borrowers.
7. Make presentations on the Bank's economic development programs at various conferences, workshops and meetings.
8. Conduct telephone calls on a regular basis with members and community developers to assure broad knowledge and understanding of the Bank's community economic development products.
9. Engage in capacity building initiatives for targeted nonprofits:
 - a. Provide scholarships to nonprofit housing and economic development professionals to attend project finance and organizational development technical assistance training programs.
 - b. Provide scholarships for nonprofits to attend training conferences conducted by recognized nonprofit intermediary organizations.
 - c. Contract with a national training organization to customize a recognized bank technical training program focusing on implementing and managing complex development projects.
 - d. Provide Peer-to-Peer training opportunities (similar to those available in the Bank's Historically Black Colleges and Universities program) to CDCs in the Bank's district.