



*Community
Lending Plan*

2007

EXECUTIVE SUMMARY

This Community Lending Plan summarizes the Bank's recognition of the District's community lending needs and presents our goals for 2007. For this Plan, "Community Lending" is defined as "providing financing for economic development projects for targeted beneficiaries." The Community Investment Cash Advance (CICA) regulation published by the Federal Housing Finance Board ("Finance Board") requires that on an annual basis, each Federal Home Loan Bank ("Bank") develop a Community Lending Plan ("Plan").

This Plan consists of three parts. Part I describes the process and plan for conducting market research. Part II outlines the Community Lending related initiatives and lending goals for 2007. Part III reviews the highlights of the Bank's Community Lending related activities for 2006.

In 2006, the Bank performed market research regarding the economic development needs of the District, and has complemented this research by continuing to sponsor meetings/conferences throughout the district to gain insight from our members and community organizations regarding the needs in the District. This Plan summarizes the steps taken to research those needs and presents the Bank's initiatives and goals to address those needs.

In summary, the Bank initiatives in 2007 will be to:

- A. Encourage broader use of Community Investment Cash Advance (CICA) products.
- B. Provide technical assistance to Members and Community Groups
- C. Provide Informational and Marketing Outreach
- D. Meet Quantitative Performance Goals

I. THE PROCESS AND PLAN

MARKET RESEARCH

As mentioned in the Executive Summary, the Bank has continued to confer with the following organizations for their insight into the challenges facing our district:

- Member institutions
- Public and private economic development organizations
- Affordable Housing Advisory Council

Some of the Regional Trends of our District are presented in the Market Research Section (*See Exhibit A*). For the year 2007, the Bank plans to continue its focus of supporting our members in meeting the following needs within our District:

- Need for long-term credit for economic development
- Need for technical assistance for member banks and community organizations in helping to meet economic development needs in the District

These long-term goals remain relevant based upon the economic and demographic challenges facing the district in 2007.

II. COMMUNITY LENDING RELATED INITIATIVES AND LENDING GOALS FOR YEAR 2007

I. INITIATIVES FOR 2007

Building upon the research findings and the results achieved in 2006, the Bank will undertake the following community lending initiatives for the year 2007:

A. Encourage broader use of Community Investment Cash Advance (CICA) products.

- Build relationships with community and economic development organizations.
- Consider special offerings to increase program participation.

B. Provide technical Assistance to Members and Community Groups

- Participating in and supporting conferences and workshops sponsored by community organizations.
- Increase member and community organization's awareness of CICA products.
- Sponsor informal workshops on community lending issues.

C. Provide Informational and Marketing Outreach

- Press releases
- Special Mailings
- Community Investment Newsletter
- The Bank's website, www.fhlbny.com

2. QUANTITATIVE COMMUNITY LENDING GOAL FOR 2007

The Bank proposes the following community lending goal for 2007:

- Originate new Community/Economic Development Commitments - \$ 50 million

III. HIGHLIGHTS OF COMMUNITY LENDING RELATED ACTIVITIES FOR YEAR 2006

ACCOMPLISHMENTS IN 2006

As presented below, the Bank pursued its community lending strategy on several fronts:

A. Community Investment Newsletters

Periodically, the Bank prepares and distributes a Community Investment newsletter. It is distributed to all member banks and almost 850 sponsors in the Home Loan Bank's service area. The newsletter is used as a vehicle to showcase and describe successful housing and community development approaches. This "best practice" approach highlights exemplary housing and community development initiatives – including the Community Investment Program projects, which are utilized as a CRA tool by our members. The articles provide a blueprint of successful ventures for our members.

B. Outreach and Technical Assistance Meetings

The Community Investment Officer and other Bank personnel have held numerous technical assistance meetings with our member banks, and community development organizations as well as participated in various conferences and seminars throughout the District. In these forums the Bank presents successful projects and discusses how the Bank's products can be useful tools for the challenges of community development.

C. Community & Economic Development Lending in 2006

During 2006, the Bank aggressively marketed the Rural Development Advance (RDA) and Urban Development Advance (UDA) programs. The RDA and UDA serve as potential funding sources for economic development opportunities. In 2006, the Bank surpassed its goal of \$ 35 million by committing a total of \$59.8 million in advances to 8 economic development projects in the district. These projects are listed in *Exhibit B*.

D. Other Community Lending in 2006

1. Advances

(a) Community Investment Program (CIP)

The Community Investment Program has assisted households with a variety of housing needs. From January to December 2006, the Bank committed a total of \$37 million in CIP funds and Member lenders drew down more than \$15.4 million in CIP advances.

(b) Affordable Housing Program (AHP)

In 2006, the Bank conducted two application periods (April 3 and October 2) and received 153 applications. One hundred ten applications were submitted by member institutions in New York; 30 from New Jersey, 7 from Puerto Rico, 2 from the US Virgin Islands, and 4 Out of District. In total \$57,638,791 of subsidy was requested to finance 8,111 units of affordable housing.

The following are the final results of the first 2006 AHP application round:

- 34 projects approved
- \$11,579,096 of subsidy committed
- 1,751 units approved

The following are the final results of the second 2006 AHP application round:

- 31 projects approved
- \$11,357,409 of subsidy committed
- 1,596 units approved

(c) First Home Clubsm Program

As of December 31, 2006, there are 61 approved member participants in the First Home Clubsm Program. There are 17 in New Jersey, 39 in New York, and 5 in Puerto Rico.

First Home Clubsm Program Facts:

- \$ 36,283,488 total program allocation
- \$12, 071,478 funded to 2,470 eligible households
- \$15, 015,369 set aside for currently enrolled households
- 3, 074 households currently enrolled and participating.

(d) Disaster Relief Funds

In 2006, the Bank set aside \$250 million for immediate gap financing to assist with restoration efforts for the 16 counties throughout NY and NJ designated by FEMA as disaster areas as a result of severe flooding.

Eligible uses of funds include housing, small businesses and economic development lending. The Bank will continue to offer additional disaster relief funds as the need arises. As part of the UDA program, the Bank committed \$20 million dollars in disaster relief funds in 2006. The project is listed in *Exhibit B*.

E. Other Community Lending in 2006 (cont'd)

Letter Of Credit (LOC)

Activity in 2006

The Bank's Letter of Credit ("LOC") product has supported community development by reducing transaction costs and enhancing the marketability of various bond issuances. As of October 31, 2006, the Bank had a total of 68 outstanding letters of credit amounting to \$306,657,320 consisting of the following LOC types:

- 6 CICA Letters of Credit totaling \$11,500,769
- 47 Municipal Letters of Credit ("MULOC") totaling \$237,610,000
- 12 Regular Letters of Credit totaling \$24,096,086
- 3 Direct Pay Letters of Credit totaling \$ 33,450,465

These letters of credit were issued on behalf of members to support credit needs, as well as housing and economic development activities. The New York Bank issued 4 new non-MULOC's in 2006.

During 2006, the Bank continued to see interest in the MULOC program. The Bank issued 127 MULOC to 13 customers totaling \$544,360,000. MULOC enable members to more easily

attract municipal deposits as additional forms of liquidity, which helps them better serve their communities.

Examples of creative usage of LOC's this year include the following: , (a) the Bank issued a non-MULOC and a non-CICA direct pay letter of credit to assist one member with financing a residential housing program; and (b) the Bank issued a non-MULOC and a non-CICA LOC to provide another member with liquidity.

- At the request of Emigrant Bank, a state chartered and federally insured savings bank in New York City, the Bank issued a direct pay LOC, in the amount of \$19,642,872.39 over a term of five years from September 15, 2006 to June 22, 2011. The LOC was issued to provide credit enhancement for the New York State Housing Finance Agency Related - Taconic West 17th Street Housing Revenue Bonds. The bonds were issued to finance the construction of a new multifamily residential housing project in the West Chelsea neighborhood of Manhattan.
- At the request of Spencer Savings Bank, SLA, a state chartered and OTS supervised savings and loan association in Elmwood Park, New Jersey, the Bank issues a standby LOC, in the amount of \$1,800,000, over a term of one year from August 29, 2006 to August 28, 2007. The LOC was issued to provide performance guaranty for the completion of a new branch building of the member, which is to be built on a site where an existing building will be demolished.

The Bank continues to offer housing programs, credit enhancement and investment products, which will support our members as they invest in their communities.

EXHIBIT A
DISTRICT II MARKET PROFILE

DISTRICT II MARKET PROFILE

DISTRICT-WIDE ECONOMIC PROFILE

Unemployment

National, New York State & New York City:

As of September 2006, New York State’s unemployment rate, after seasonal adjustment, was 4.4 percent. The national rate was 4.4 percent and the rate for New York City was 4.5 percent. The rate for New York State outside of New York City was 4.2 percent. ^{2; 3}

New Jersey:

The year over year unemployment rate for NJ has increased by 1.0 percent from 4.4 percent in September of 2005 to 5.4 percent in September 2006.

District II Employment Rates:

The table below shows the District employment versus District unemployment rates as of September 2006 (Numbers in thousands):²

District	Employed	Unemployed	Unemployment Rate
New York State	9,447	411.0	4.4%
New York City	3,746	169.0	4.5%
New Jersey	4,477	230.7	5.2%
Puerto Rico	1,404	152.0	10.8%

Job data – National and New York State:

The National year-over- year unemployment rate has fallen from 5.1 percent in September 2005 to 4.6 percent in September 2006. Over the month of September, NYS has seen a decrease in the private sector job count by 1,500, or less than 0.1 percent (seasonally adjusted) meanwhile nationally, private sector jobs are on the rise with an increase of 0.1 percent during the same period.³

Job Data - New Jersey:

During 2006, NJ continued to lose jobs. The trade/transportation/utilities super sector was the hardest hit with a loss of 3,300 jobs.⁴

Immigration

With more than one million young foreign-born adults arriving in the US yearly, household growth is exploding and will continue to rise according to The New Joint Center for Housing Studies. The household growth rate is expected to be 2 million higher in the next ten years than in the past decade. Based solely on the constant influx of immigrants alone, housing production is expected to rise significantly. However, suppliers of housing and mortgage credit will need to find innovative ways to make housing affordable to low-and moderate -income households as housing investment is likely to be greatest among the top tenth wealthiest Americans. ¹³

New York

New York, the third largest state in the country, has seen over one million foreign born residents settle between 1990 and 2000 representing a 35.6 percent increase. Despite the nominal drop in 2005, The Census Bureau predicts that this rate of population growth will continue to climb over the coming years increasing New York's population by 9.3 percent over the next 21 years to 19.8 million. The large volume of immigrants strains available resources and presents growing needs for new highways, schools and affordable housing. New York City alone has had a population growth of 6 percent between 1990 and 2000 while the number of housing units has grown by only two percent. ^{5;7}

New Jersey

Due to the constant stream of immigrants, New Jersey is adding to its population faster than any other state in the Northeast. Between 1990 and 2000 New Jersey's population had increased by 9.0 percent bringing the population in 2000 to 8.4 million. Predictions by the Census bureau suggest that New Jersey population will increase by 17 percent between 2000 and 2025 bringing the total population to 9.6 million. ⁸

Puerto Rico

The 2005 Census Bureau population estimate for Puerto Rico was 3.9 million, an increase of 56,670 people representing a 1.49 percent increase since the 2005 estimate. ⁶

The table below shows the change in year over year population in our District from July, 2004 to July, 2005 for New York, New Jersey and Puerto: ^{6, 16 and 17}

District	State Population (July 2005 est.)	State Population (July 2004 est.)	Population Increase- Decrease (2004 – 2005)	Foreign-Born Population	Percent Foreign-Born
New York	19,254,630	19,280,727	-26,097	3,868,133	24%
New Jersey	8,717,925	8,685,166	32,759	1,766,820	20%
Puerto Rico	3,912,054	3,895,107	16,353	N/A	N/A

DISTRICT-WIDE HOUSING PROFILE

Housing Trends

Nationally, the homeownership rate declined slightly to 68.9 percent last year, after 12 years of increases. Meanwhile, the rental market shot up by more than a half million households. All the same, homeownership increased by nearly one million as jobs were on the rise and home values appreciated.

Facts:

- House prices remain on the rise in 2005 climbing ahead of household income with inflation further diminishing affordability.
- The white/minority homeownership gap remains wide despite gains in minority homeownership rates. More than 75 percent of whites own homes while 60 percent of Asians/others (non-Hispanic and Pacific Islanders, Aleuts and Native Americans) own, and 49 percent of Hispanics (may be of any race) own and 48 percent of Blacks own homes. With the steady stream of immigration in the past two decades, and the fact that most immigrants are young adults, the minority share will likely continue to grow with each generation.
- Affordability remains a long- term housing challenge for the majority of American households. 1.9 million people pay more than half of their incomes for housing. Additionally, the shortage of affordable units forces low-income Americans to make choices to do without other basic needs, make longer commutes or live in crowded living conditions in order to provide shelter for their families.
- At the local level, land use regulations and the costs associated with owning and operating affordable housing places enormous regulatory and financial strains on developers and owners. As a result, affordable rental housing is disappearing at a rate of 1.3 percent yearly for those earning \$16,000 or less.¹³

Hispanic Markets

During the period covering 1995-2005, Hispanics represented less than 11 percent of all households; meanwhile, this population accounted for 27 percent of net household growth in the same period. ¹³

In 2000, nearly half of NY's foreign born hailed from Latin America, accounting for 48.9 percent of the population. Nationally, 45.5 percent reported a Hispanic or Latino origin. ⁷

Lack of Affordable Housing in New York and New Jersey

New York City alone has seen a population growth of six percent between 1990 and 2000, while the number of housing units has grown by only two percent during this same period. The lack of units consequently raises the prices of housing; in 2000, almost half of the renting population paid 35 percent or more of their household income in rent, an amount commonly deemed excessive. ⁵

New Jersey is the third most expensive state to rent an apartment behind California and Washington DC. According to the National Low Income Housing Coalition, the average rate for a two-bedroom apartment in Bergen and Passaic counties is \$1,050.⁸

Least Affordable States: New York and New Jersey continue to be two of the ten least affordable states in the country. In 2005, Westchester County, New York, ranked 8th out of ten as one of the least affordable metropolitan areas in the country. ¹⁴

The tables below lists the housing wages and the year over year percent change for the two-bedroom housing wage:

According to the Low Income Housing Coalition, the housing wage represents the hourly wage that a household must earn working (40 hours a week, 52 weeks a year) in order to afford the Fair Market Rent for a two bedroom unit at 30% of income.

^{15; 17}

Least Affordable States	Housing Wages For 2-Bedroom (2004)	Housing Wages For 2-Bedroom (2005)	Percent Increase/Decrease - 2-bedroom Housing Wage
New Jersey	\$20.35	\$20.87	2.56%
New York	\$18.18	\$19.73	8.53%

Least Affordable Metropolitan Areas in District	Housing Wages For 2-Bedroom (2004)	Housing Wages For 2-Bedroom (2005)	Percent Increase/Decrease 2-bedroom Housing Wage
Westchester, NY	\$24.88	\$25.31	1.73%

SOURCES OF INFORMATION

¹New York State Department of Labor, Division of Research and Statistics: “Employed, Unemployed, and Rate of Unemployment by Place of Residence for New York State and Major Labor Areas, (September, 2006)

<http://labor.state.ny.us/workforceindustrydata/PressReleases/prtbur.txt>

²U.S. Department of Labor; Bureau of Labor Statistics: Table 3. “Civilian labor force and unemployment by state and selected areas, seasonally adjusted September, 2006”

<http://www.bls.gov/news.release/laus.t03.htm>

³New York State Department of Labor: “NY State Reaches Lowest Unemployment Rate in Over 5 Years: Lowest Unemployment Rate in New York City since 1988.” (October, 2006) <http://www.bls.gov/news.release/laus.t03.htm>

⁴New Jersey Department of Labor Workforce and Development: “New Jersey’s Unemployment Rate Fell from 4.4 Percent in October; Employment Declined over the Month by 2,200” (November 15, 2006)

<http://www.state.nj.us/labor/press/2006/1115Unemployment.htm>

⁵Federation for American Immigration Reform (FAIR); “Immigration Impact – New York” www.fairus.org/site/PageServer?pagename=research_researchbaff

⁶U.S. Census Bureau: “Annual Estimates of Population for the United States and States and for Puerto Rico: April 1 2000 to July 1, 2005”

<http://www.census.gov/popest/states/NST-ann-est.html>

⁷Migration Policy Initiative (MPI); Migration Information Source: New York “Fact Sheet on the Foreign Born” www.migrationinformation.org/USFocus/state.cfm?ID=NY

⁸Federation for American Immigration Reform (FAIR); “Immigration Impact – New Jersey” www.fairus.org/site/PageServer?pagename=research_researchf7c0

⁹Migration Policy Initiative (MPI); Migration Information Source: New Jersey “Fact Sheet on the Foreign Born” www.migrationinformation.org/USFocus/state.cfm?ID=NJ

¹⁰U.S. Census Bureau: American Fact Finder- Fact Sheet: Census 2000 Demographic Profile Highlights: Puerto Rico <http://factfinder.census.gov>

¹¹U.S. Census Bureau: American Fact Finder- Fact Sheet: Census 2005 Demographic Profile Highlights: Puerto Rico <http://factfinder.census.gov>

¹²National Low-Income Housing Coalition; Out of Reach 2005; Tables, “State Ranks Based on Two Bedroom Housing Wage” Westchester <http://www.nlihc.org/oor/oor2005/>

¹³Joint Center for Housing Studies of Harvard University: “The State of the Nation’s Housing 2006.” <http://www.jchs.harvard.edu/>

¹⁴National Low-Income Housing Coalition; Out of Reach 2005; Tables, “Least Affordable Jurisdictions”: New York, New Jersey
<http://www.nlihc.org/oor/oor2005/leastaffordabletable.pdf>

¹⁵National Low-Income Housing Coalition; Out of Reach 2005: “State Ranks Based on Two Bedroom Housing Wage” New York, New Jersey
<http://www.nlihc.org/oor/oor2005/rankmap.pdf>

¹⁶Federation for American Immigration Reform (FAIR); “Extended Immigration Data for New York” <http://www.fairus.org/site/PageServer>

¹⁷Federation for American Immigration Reform (FAIR); “Extended Immigration Data for New Jersey” <http://www.fairus.org/site/PageServer>

SOURCES OF FURTHER INFORMATION

- New York State Department of Labor, <http://www.labor.state.ny.us>
- New Jersey Department of Labor, <http://www.state.nj.us/labor>
- Federation of American Immigration Reform (FAIR), <http://www.fairus.org>
- National Low-Income Housing Coalition, www.nlihc.org
- Bureau of Labor Statistics, <http://www.bls.gov/>
- Census Bureau, <http://www.census.gov/>
- Joint Center for Housing Studies of Harvard University, <http://www.jchs.harvard.edu/>
- Pew Hispanic Center, <http://pewhispanic.org/>
- Federal Reserve Bank of NY, <http://www.newyorkfed.org/regional/region.html>

EXHIBIT B
EXAMPLES OF RDA & UDA PROJECTS

2006 RURAL AND URBAN DEVELOPMENT ADVANCES

Rural Development Advance (RDA)/ Urban Development Advance (UDA)

From January to December 2006, the Bank committed a total of \$10,000,000 for a combination UDA/RDA loan to one project.

<i>Project:</i>	Small Business/Commercial Loan Portfolio
<i>Customer Institution:</i>	First Niagara
<i>UDA/RDA Commitment:</i>	\$10,000,000
<i>Term:</i>	As requested by member

Project Description: First Niagara Bank submitted a request for RDA/UDA funds for eligible small business and commercial loans which have been originated in the last three months or will be originated in the six months following the date of application. Projects may be located in both rural and urban areas within New York State and will conform to the eligibility standards of the RDA and UDA, respectively. The loan portfolio will consist of various projects that meet First Niagara's community development definition. The geographic distribution will encompass numerous counties throughout New York State.

Urban Development Advance (UDA)

From January to December 2006, the Bank committed a total of \$ 59.8 million in UDA projects.¹

<i>Project:</i>	Bank Headquarters
<i>Customer Institution:</i>	Century Savings Bank
<i>UDA Commitment:</i>	\$6,000,000
<i>Term:</i>	As requested by member

Project Description: Century Savings Bank will use the funds to finance the construction of a new headquarters in Vineland, New Jersey. The building will house a new branch, corporate headquarters and a commercial lending facility. Construction has already begun and the new facility is expected to be completed in the summer of 2007. A project can qualify for UDA funding if it is located in an Urban Enterprise Zone. The new Century Savings Bank Headquarters is located within the Vineland-Millville Zone.

¹ Includes an estimated \$5 million of the combined RDA/UDA application of \$10 million

Project: **Bank Administration Building**
Customer Institution: Colonial Bank
UDA Commitment: \$7,000,000
Term: As requested by member

Project Description: Colonial Bank will use the funds to finance the construction of a new administration building in Vineland, New Jersey. A project can qualify for UDA funding if the property is located in an Urban Enterprise Zone. Colonial Bank's new administration building is located within the Vineland-Millville Zone.

Project: **Broadway Arts Center**
Customer Institution: Metuchen Savings Bank
UDA Commitment: \$2,000,000
Term: As requested by member

Project Description: The UDA funds will be used to finance their participation in a Thrift Institution Community Investment Corporation (TICIC) loan consortium for the Broadway Arts Center in Long Branch, New Jersey. The project involves a multi-phase development plan of 9.5 acres of land which includes the revitalization and re-establishment of Broadway as a residential and commercial center of the community. The project will provide a diversity of job and housing opportunities in order to achieve Long Branch's "Walk to Work" objective, provide student housing for local learning institutions, and re-establish Long Branch as a regional downtown by supplementing the City's commercial and entertainment enterprises. Upon completion, the project will contain 622 residential units, 162,745 square feet of retail space and 1,552 parking spaces. Total development cost of the project exceeds \$200 million. TICIC is forming a consortium of lenders to create a pool to fund a loan to the project of up to \$20 million. Metuchen Savings Bank has agreed to participate in the consortium in the amount of \$2 million.

Project: **Small Business Loan Program**
Customer Institution: Parke Bank
UDA Commitment: \$10,000,000
Term: As requested by member

Project Description: The UDA funds will be used to finance a Small Business Loan Program. UDA funds will be used to acquire, construct or rehab real estate or to purchase equipment. A project can qualify for funding if it is located in a neighborhood with an area median income at or below 100%. All loans under the Small Business Loan Program will be located within a qualifying census tract.

<i>Project:</i>	Ridgewood Corporation
<i>Customer Institution:</i>	Provident Bank
<i>UDA Commitment:</i>	\$758,386
<i>Term:</i>	As requested by member

Project Description: Provident Bank will use the funds to finance the construction of a new office, warehouse, and showroom facilities and the rehabilitation of existing structures for the Ridgewood Corporation located at 34 Cottage Street in Middletown, NY. The Ridgewood Corporation was founded in 1922 and is a third generation, family-owned business with 17 locations and over 50 trucks delivering plumbing, heating and air conditioning products to wholesalers, contractors and the general public in the New York, New Jersey, Connecticut, Delaware and Pennsylvania areas. The company has experienced steady growth and is planning to expand to three new locations within the next two years. The company's Middletown facility is run down and is located in one of the city's most distressed areas. With HUD Section 108 assistance and a commitment of UDA funds, the company plans to expand and modernize this facility. With the realization of this project, 10 new jobs will be created (3 office jobs and 7 warehouse jobs) and existing jobs will be retained. A project can qualify for funding if it is located in a neighborhood with an area median income at or below 100 %. Ridgewood Corporations existing and future facilities are located in a qualifying census tract.

<i>Project:</i>	Construction of Branch Office
<i>Customer Institution:</i>	Wawel Savings Bank
<i>UDA Commitment:</i>	\$4,000,000
<i>Term:</i>	As requested by member

Project Description: The UDA funds will be used to finance the construction of a branch office to be located in Garfield, New Jersey. To qualify for funding, the annual salaries of at least 51% of the permanent full-and part-time jobs, computed on a full time equivalent basis, created or retained by the project, other than construction jobs, must be at or below 100% of the area median income. Wawel Savings Bank will be creating employment opportunities that meet this criterion.

<i>Project:</i>	Disaster Relief Funding
<i>Customer Institution:</i>	Wilber National Bank
<i>UDA Commitment:</i>	\$20,000,000
<i>Term:</i>	As requested by member

Project Description: Wilber National Bank will use the funds to finance lending activities in FEMA designated counties affected by flooding in 2006. The requested funds will be used to finance lending activities in any or all of the following counties that Wilbur National serves: Otsego, Chenango, Delaware, Broome, Schoharie and Ulster. Wilber National intends to use the funding for activities that may include the origination or re-financing of residential mortgages; commercial loans; small business loans; and gap financing for households and businesses awaiting insurance pay-outs.