

Building Blocks



A Publication of the Federal Housing Finance Board

Volume 4, Number 2

Winter 1995

Up to \$5,000 for Closing Costs, Downpayment

Homeowners' Savings Matched With AHP Funds Under Voluntary Rule Approved for FHLBanks

The Federal Housing Finance Board has approved a rule allowing each Federal Home Loan Bank (FHLBank) to select between two options to set aside a portion of its Affordable Housing Program (AHP) funds to assist first-time homebuyers and other homebuyers.

One option allows an FHLBank to establish a "matched-savings program." Using this option, an FHLBank may use up to 10 percent or \$1 million, whichever

is greater, of its annual AHP funds to provide matching funds for downpayments and closing costs for low-income homebuyers.

A second option permits an FHLBank to set aside funds for an alternative homeownership program that in the Housing Finance Board's determination is consistent with the goals of the National Partners for Homeownership, which is a public-private sector initiative to add eight million households to the homeownership

homeownership opportunities for lower income households trying to purchase their first homes.

Under the first option, a household participating in a matched-savings program could receive up to \$5,000 in AHP funds as a match for savings it has on deposit with an FHLBank member. Each dollar of savings could be matched by the member with up to three dollars of AHP funds. Each FHLBank may determine the ratio of funds-to-savings for its members

Eligible households must be first-time homebuyers as defined in the National Affordable Housing Act of 1990, and must have incomes at or below 80 percent of the area median income. Income eligibility is determined at the time of enrollment.

To enroll, a household must agree to: open a savings account with a participating member and be committed to a savings schedule; enroll in a member-sponsored home counseling program; and commit to

(See **RULE**, page 2)

Table of Contents

<i>Chairman Morrison's Recent Testimony Before Congress</i>	see page 4
<i>New Board Members Bring Wealth of Experience, Talents to the Job</i>	see page 6
<i>First Native American Tribe Approved for FHLBank System Advances</i>	see page 7
<i>AHP Is Major Contributor in Helping Populations With Special-Needs</i>	see page 9

rolls by the end of the century. The amount of assistance in an alternate program has to be approved by the Housing Finance Board and the program's criteria must satisfy the requirements of the AHP statute.

Both options would be designed to help create greater

(RULE. from page 1)

obtain a mortgage from the member at an interest rate not to exceed the market rate for a loan of similar maturity and terms. A minimum IO-month savings period is required for the household to receive AHP funds.

When a household applies for enrollment it will be notified by the FHLBank that there is no guarantee of assistance. In the event of oversubscription in the program an FHLBank may place households on an enrollment waiting list.

The program also allows the use of additional subsidies or mortgage revenue bond proceeds in financing the loan."

Once a household is enrolled for 6 months and is progressing on an agreed-upon savings plan, the FHLBank will reserve matching AHP funds and notified the household of this action. The household cannot draw

down the matching funds until after it has saved for a minimum of 10 months. Households on a waiting list prior to enrollment will have the waiting list time applied toward the IO-month minimum.

Closing on the home must occur within 2 years from the date the FHLBank reserved the household's matching funds. However, an FHLBank may extend the 2-year deadline for "reasonable circumstances," such as unforeseen hardship, inability to locate a suitable home, or delays in the closing process.

All AHP funds under this initiative will be made available by the FHLBank on a first-come first-served basis. An FHLBank cannot enroll more households than it can fund with its available AHP funds. However, if applications exceed the amount of money set aside for the current year, the FHLBank can dedicate up to

\$1 million of the next year's set-aside, and/or establish a waiting list for enrollment.

The match-savings program is modeled on a priority recommended by the FHLBank of New York's Affordable Housing Advisory Council in 1993. Since adopting the recommendation, the FHLBank of New York has committed \$4.1 million in funding for 502 housing units.

The AHP was created in 1989 to provide direct subsidies and subsidized interest rates to FHLBank members engaged in lending for long-term very-low-, low-, and moderate-income owner-occupied and affordable rental housing. Since 1990, the AHP has provided more than \$413 million to build and rehabilitate more than 109,000 housing units.

For greater details on the rule see 60 Fed. Reg. 49,327 (September 25, 1995). □

How a Matched-Savings Program works

For a working family of four in New York City, a matched-savings program would allow a family earning \$33,350 (80 percent of the area median income) with \$1,000 in personal savings to purchase a home costing \$88,375.

With a monthly income of \$2,779 the family would be capable of carrying housing costs (principal, interest, taxes, and insurance) of \$917 (33 percent of monthly income), of which \$688 (75 percent) would be the principal and interest. For \$688, the family can afford an \$83,957 mortgage at 8.875 percent for 30 years. Assuming a 5 percent downpayment, the home's price would be \$88,375.

To buy the home the family would need \$7,070 in cash -- 5.5 percent (\$4,419) for a downpayment and 3 percent (\$2,651) for closing costs.

Under the matched-savings program, the household applies to a local lender that is a member of the FHLBank of New York. After being accepted, the family commits to a savings plan -- in this example, \$126.50 per month -- and begins homeownership counseling. After 6 months of demonstrated savings, the family applies for matching AHP funds and, assuming the funds are available, the FHLBank reserves the funds for the household. Concurrently, the household completes counseling and selects a home. After 12 months of savings, the household will have accrued approximately \$1,518 that could be matched at a 3-to-1 ratio with \$4,554 in AHP funds. These two funding sources, added to the family's existing savings of \$1,000, brings the household's cash total to \$7,072, which is what is needed to purchase an \$88,375 home. □

Rural LISC Inaugurated

FHLBanks Commit to \$200 Million for Rural Development

On November 2, the Federal Housing Finance Board and the Federal Home Loan Banks (FHLBanks) joined the Local Initiatives Support Corporation (LISC) in announcing an unprecedented \$302 million public/private partnership designed to revitalize America's rural communities.

The joint initiative is called Rural LISC, and over the next 4 years the FHLBanks will funnel \$200 million in Community Investment Program (CIP) advances to rural projects developed by participating community development corporations (CDCs). A total of 68 CDCs in 39 states and Puerto Rico will also use another \$102 million raised by LISC from corporations, foundations and government agencies.

"I congratulate LISC's efforts to focus attention and resources to transform distressed communities," said Housing

Finance Board Chairman Bruce A. Morrison, "I am also gratified by the FHLBank System's commitment to these rural areas, which traditionally have lacked substantial private sector resources for community development."

Sandra Rosenblith, the LISC senior vice president responsible for Rural LISC, said, "CDCs have made heroic efforts to attack the poverty and blight in rural communities. Today, for the first time, government and the private sector are joining their efforts on a national level to stimulate and speed the revival their leadership will bring to rural America."

The Rural LISC strategy includes forming public and private sector partnerships that would increase the visibility, capacity, credibility, and resources of rural CDCs across the nation.

As part of the Rural LISC initiative, discounted CIP advances

Rural LISC is the latest in several initiatives by the FHLBank System to support rural community development. These activities include Affordable Housing Program (AHP) support, a special task force on rural credit needs, technical assistance programs and enhanced outreach to inform rural communities of FHLBank resources available to them.

Charles L. Thiemann, President of the FHLBank of Cincinnati and Chairman of the FHLBank Presidents' Housing and Community Development Committee, commented: "This investment by the FHLBank System is a concrete example of our commitment to work with LISC and its network of CDCs to help revive these underserved rural communities."

Rural CDCs receive inadequate attention and resources compared to their urban counterparts, according to LISC, because in rural areas there are few corporate headquarters, financial institutions, and foundations, which are regular supporters of urban CDCs. Nationwide, LISC has identified 413 rural CDCs.

This is the first time the banking industry, the federal government, and foundations have combined efforts to assault rural poverty through a large-scale targeted strategy through CDCs, according to LISC officials. The program is based on a 2-year analysis by LISC of rural conditions and CDC efforts, and the partnership was organized by LISC, the nation's largest community development support entity. □

MAKING AN IMPACT: THE SECOND ANNUAL CDFI INSTITUTE

WHEN: March 20-23, 1996

WHERE: Wyndam Franklin Plaza Hotel
Philadelphia, Pennsylvania

The event is designed to stimulate discussion and analysis of the political and economic environment in which CDFIs work, share information about new developments in the field, provide training to CDFI practitioners, and facilitate cross-sector networking. The program will include tours of community development sites in the Philadelphia area.

Contact Laura Schwingel at (215) 923-5363

may be used by FHLBank System members for long-term financing for low-income housing projects, commercial, industrial and community facilities, or to purchase mortgage portfolios from nonprofit developers.

The participation in

Report From the Chairman

On Sept. 27, Federal Housing Finance Board Chairman Bruce A. Morrison testified at Congressional oversight hearings on the Federal Home Loan Bank System. This is a summary of that testimony. Since that testimony, however, language to restructure the FHLBank System's REFCorp payments was removed from the 7-year budget reconciliation legislation. A complete text of the testimony may be obtained from the Housing Finance Board's Office of Public Affairs by calling (202) 408-2550.

As Housing Finance Board Chairman, I am committed to ensuring that the FHLBank System fulfills its role as a source of low-cost funds for housing finance and community development. The FHLBank System is uniquely structured to perform this function -- with more than 5,600 member institutions enjoying access to customized loan products, general banking services, and technical assistance.

Recent legislative proposals provide an excellent framework for modernizing FHLBank operations. While they differ on details, the proposals address the same concerns. My view of the major issues follows:

REFCorp

Disagreements over the FHLBank System's REFCorp obligation derailed earlier Congressional action on the System. That is not surprising since the fixed \$300 million REFCorp contribution has been the most significant factor in FHLBank operations for several years. In retrospect, the REFCorp formula was a mistake. I say this as

someone who served on the House Banking Committee in 1989. Congress voted for FIRREA without foreseeing its effect on the FHLBank System.

Now we have an opportunity to focus on FHLBank System modernization without the distraction of REFCorp. Under a recent proposal, the FHLBank System's future REFCorp contributions would be based on a flat percentage of each FHLBank's net earnings. While the exact rate is yet to be determined, the goal is to solve the REFCorp problem equitably, without creating a new burden for the taxpayers.

FHLBank System Mission

The combined REFCorp and Affordable Housing Program assessments have put pressure on the FHLBank System to produce earnings to meet those obligations, regardless of demand for advances. This has led to an excessive reliance on FHLBank System investments, which raises legitimate questions about its real mission as a Government Sponsored Enterprise.

As a GSE, the FHLBank System has a special responsibility to the public and a unique role in housing finance. By supporting portfolio lenders, the FHLBank System helps community-based financial institutions to finance local housing and community development projects that might not be funded if they had to conform to secondary-market standards. The FHLBank System also creates an opportunity for a range of borrowers

to qualify for home mortgages. And because members can pledge non-conforming loans as collateral for FHLBank advances, they have greater incentive to make such loans.

Program Authority

The Housing Finance Board must retain authority to ensure that the FHLBank System fulfills this mission -- by supervising the FHLBanks and making certain that they operate safely and soundly, by promulgating and enforcing regulations, and by ensuring that the FHLBanks remain appropriately capitalized. Efforts to strengthen the Housing Finance Board's role as program regulator is important, and it is consistent with other housing GSEs.

Devolution of Management Responsibilities

Governance authorities are another matter. They are being delegated to the FHLBanks, as appropriate. These include membership and budget approvals, compensation, and dividends. As a result, the Housing Finance Board has been able to reduce staff and operating expenses. However, legislation is also necessary, since current law assigns specific governance authorities to the Housing Finance Board. These responsibilities cannot be delegated without statutory change.

Finance Board Composition

In my view, the Housing Finance Board should have five

(See **REPORT**, page 5)

(REPORT. from page 4)

directors. including the secretaries of HUD and Treasury and two part-time directors. The chairman should be full-time and serve as CEO. As at the FDIC and the Federal Reserve, the chairman should be appointed for a defined term. This approach will ensure the agency's independence.

Capital

Under current law, capital levels of the 12 FHLBanks are determined by the size of their members' balance sheets. This should be changed so FHLBank capital levels reflect risk exposure and the size of operations. as with Fannie Mae and Freddie Mac.

Non-QTL Limits

I favor an amendment to eliminate the 30 percent cap on

lending to non-Qualified Thrift Lenders.

The Affordable Housing Program

The AHP works well and demonstrates the FHLBank System's support for long-term affordable housing. To date, more than \$377 million in AHP funds has been used or committed. leveraging \$5.6 billion in total development funds and helping to finance over 99,000 housing units nationwide. Funding should continue at no less than \$100 million per year.

Consolidation

Market forces and the members of each FHLBank should determine the timing and nature of any consolidation. subject to

Housing Finance Board review.

Office of Finance

I am pleased with the proposal to establish a freestanding Office of Finance with clear powers and duties. While the Office of Finance will still be subject to Housing Finance Board regulation, legislation will clarify the distinction between regulating and financing the FHLBank System.

Conclusion

The FHLBank System works well, but it could be more effective. By resolving the REFCorp issue we can focus the FHLBanks on serving their members in support of housing and community development, while enhancing FHLBank System safety and soundness.

Board Reviewing Comments

Proposed Rule Would Allow FHLBanks To Establish Subsidy Limits for AHP

The Federal Housing Finance Board recently approved a proposed rule that would allow the FHLBanks to establish subsidy limits in their Affordable Housing Programs (AHP).

The proposed rule states that the limits may apply to members, projects, housing units, or direct subsidies per project, and that any subsidy limits imposed by an FHLBank can be made only after consultation with the FHLBank's Affordable Housing Advisory Committee. All limits or requirements would have to apply equally to all members.

Subject to the prior approval of the Housing Finance Board, the FHLBanks also could establish other subsidy limits or substantive application

requirements not specifically provided for in the AHP regulation.

If adopted, the Housing Finance Board believes the rule will assure greater uniformity of application standards, but still allow FHLBanks discretion to adopt "nonsubstantive" requirements. The rule would also prevent FHLBanks from adopting requirements that are not consistent with appropriate public policy or the goals of the AHP.

The period for accepting comments closed on December 18, and the Housing Finance Board has begun its review of those comments. The proposed rule was published in the Federal Register [60 Fed Reg. 55,487 (November 1, 1995)].

Federal Housing Finance Board Welcomes New Board Members

Bruce A. Morrison:

New Chairman Brings Extensive Banking, Housing, Community Development Experience to Post

Bruce A. Morrison was sworn in as a director of the Federal Housing Finance Board at a public ceremony on October 17 by Senator Christopher J. Dodd (D. CT). In nominating Mr. Morrison to the Housing Finance Board, President Clinton also designated him to serve as its chairman. Mr. Morrison's term of office began June 1 following an informal swearing-in ceremony.

Immediately prior to his appointment, Mr. Morrison was an attorney in private practice with the Connecticut firm of Morrison and Swaine where he specialized in immigration law, international trade and investment, and general civil litigation.

Mr. Morrison is a member of the National Commission on Immigration Reform, which is charged by Congress to recommend future U.S. immigration policy. He played a key role in engineering a cease fire in Northern Ireland and accompanied President Clinton on his recent trip to Northern Ireland and the Republic of Ireland.

Mr. Morrison represented the Third District of Connecticut in Congress for four terms from 1983 through 1991, and ran as a candidate for Governor of Connecticut in 1990. While in Congress, Mr. Morrison served on the Housing and Community Development and Financial Institutions Subcommittees of the House Committee on Banking, Finance, and Urban Affairs where he earned a reputation as a strong advocate for affordable housing and community development and strong capital standards for financial institutions.

In Connecticut, he brought together representatives from the business and banking communities, housing advocates, real estate

(See **MORRISON**, page 11)

J. Timothy O'Neill:

International Law, Lobbying Background Help Former Staffer Return as New Board Member

Following an informal ceremony June 1, J. Timothy O'Neill was formally sworn in as a director of the Federal Housing Finance Board by Senator Alfonse M. D'Amato (R. NY) in a public ceremony July 13. He was nominated to the position by President Clinton to serve on one of the two minority, or Republican, seats on the board.

Mr. O'Neill most recently was a partner in the Washington law firm of O'Connor & Hannan, focusing on trade and international law and matters related to legislation and regulation. He has represented both international and domestic clients before the Congress and the Executive Branch, and is a former congressional affairs director for the Federal Housing Finance Board.

Mr. O'Neill began his lobbying career in 1981 with O'Connor & Hannan where he became involved in legislative financial issues. He then served 2 years as legislative director to the late Senator John Heinz (R. PA), a member of the Senate Banking Committee before returning to O'Connor & Hannan. Subsequently Mr. O'Neill worked for a year as the deputy director of congressional affairs at the U.S. Agency for International Development (AID) before moving to the Treasury Department in 1987 along with that agency's deputy secretary, Peter McPherson. At Treasury, he spent 4 years working as a senior legislative manager for international affairs.

In 1991 he was named director of the Office of Congressional Affairs at the Housing Finance Board and remained in that position until 1992, before returning to O'Connor & Hannan.

A 1976 magna cum laude graduate of Georgetown University's School of Foreign Service.

(See **O'NEILL**, page 11)

Minnesota Tribe Approved for Advances

CHIPPEWA HOUSING COUNCIL BECOMES LATEST NONMEMBER MORTGAGEE

On September 12 the Federal Housing Finance Board approved the application of the Minnesota Chippewa Tribal Housing Corporation to be a nonmember mortgagee, making the housing corporation the 23rd and latest nonmember mortgagee of the Federal Home Loan Bank System (FHLBank System). This move also marks the first time a Native American housing group has had direct access to FHLBank System advances.

As a nonmember mortgage, the housing corporation is now eligible to receive advances from the Federal Home Loan Bank (FHLBank) of Des Moines, which serves Iowa, Minnesota, Missouri, North Dakota, and South Dakota.

FHLBanks are authorized to make advances to nonmembers that are HUD-approved mortgagees under the terms of Section 10b of the Federal Home Loan Bank Act. A nonmember mortgagee can be a state housing finance agency (HFA) or other agency that meets the following requirements: it must be chartered under State law, it must be subject to the supervision of a government agency, and it must lend its own funds as its principal activity in the mortgage field.

The Minnesota Chippewa Tribal Housing Corporation serves the housing needs of six separate Chippewa tribes in Minnesota, operating a low-interest revolving mortgage program for low- and moderate-income Chippewa families. Funding for the program

comes from the Minnesota Housing Finance Agency, which also is a nonmember mortgagee of the FHLBank of Des Moines. The majority of outstanding loans by the Chippewa housing corporation do not exceed \$50,000, and most carry an interest rate of 4 to 6 percent.

Nine of the FHLBank System's 12 FHLBanks have nonmember mortgagees in their

districts, with only the FHLBanks of Pittsburgh, Indianapolis, and Chicago having no nonmember mortgagees. The FHLBank System's other 22 nonmember mortgagees had advances outstanding totaling \$40.1 million, as of August 31, 1995.

The three most active nonmember mortgagees are the

(See **CHIPPEWA**, page 8)

FHLBank System Nonmember Mortgagees

Agencies that have been approved as of December 1995 as nonmember mortgagees are:

FHLBank of Boston

- Rhode Island Housing and Mortgage Finance Corporation
- Massachusetts Housing Finance Agency
- Vermont Housing Finance Agency
- New Hampshire Housing Finance Authority
- Connecticut Housing Finance Authority

FHLBank of New York

- State of New York Mortgage Agency
- New York City Housing Development Corporation
- New Jersey Housing and Mortgage Finance Agency
- New York State Housing Finance Agency

FHLBank of Atlanta

- Virginia Housing Development Authority

FHLBank of Cincinnati

- Tennessee Housing Development Agency

- Kentucky Home Corporation

FHLBank of Des Moines

- Minneapolis Community Development Agency
- Minnesota Housing Finance Agency
- Missouri Housing Development Commission
- Bank of North Dakota
- Minnesota Chippewa Tribal Housing Corporation

FHLBank of Dallas

- New Mexico Mortgage Finance Authority

FHLBank of Topeka

- Colorado State Housing Finance Authority
- Nebraska Investment Finance Authority

FHLBank of San Francisco

- California Housing Finance Agency

FHLBank of Seattle

- Guam Housing Corporation
- Utah Housing Finance Agency

Colorado State Housing Finance Agency (CSHFA), the Massachusetts Housing Finance Agency (MHFA), and the Rhode Island Housing and Mortgage Finance Corporation (RIHMFC), with \$17.4 million, \$11.5 million, and \$8.2 million, respectively, in advances from their respective FHLBanks.

The nonmember mortgagees are using their advances for a variety of housing-related purposes. For example, the CSHFA uses advances to warehouse financing for mortgage loans before the supporting mortgage revenue bonds are sold, and to provide

interim financing for the acquisition or rehabilitation of multifamily rental housing. The interim financing is replaced by permanent mortgages financed with the proceeds of a mortgage revenue bond sale.

The RIHMFC is using advances of \$8.2 million to support its reverse-annuity mortgage program and to finance the purchase and rehabilitation of multifamily housing, while the MHFA is using advances of \$11.5 million to finance multifamily housing.

Other projects by

nonmember mortgagees include the Vermont Housing Finance Agency's use of \$200,000 in advances to finance small multifamily housing development, and the New Hampshire Housing Finance Authority's use of a \$2.3 million advance to finance part of a bridge loan on a project that is using low-income housing tax credits.

The Utah Housing Finance Agency is using an advance of \$448,000 to finance 36 units of low-income rental housing in Moab, Utah. Seven households in this project have incomes at or below 35 percent of the AMI.

AHP, CIP: Substantial Financing for Rural Projects

Since 1990, the AHP has provided \$70.8 million in subsidies to finance 620 projects in America's rural areas -- almost a quarter of all AHP-assisted projects. The AHP funding has helped create and rehabilitate 19,315 units of affordable housing in rural communities.

Of the AHP's 620 rural housing projects, 53 percent provided homeownership opportunities for low- and moderate-income households (income at or below 80 percent of the area median income (AMI)), and 47 percent were for rental units.

As of June 1995, the FHLBank System had issued \$912 million in CIP advances for rural housing and community development projects. These CIP advances have been used by

FHLBank System members to finance nearly 27,000 units of housing for rural households with incomes at or below 115 percent of the AMI. The CIP also has funded 43 community economic development projects in rural areas that benefit households with incomes at or below 80 percent of the AMI, or that are located in neighborhoods where at least 51 percent of the households are at this income level.

While the FHLBank System has since 1932 provided billions of dollars to rural banks for home mortgages and community development needs, it also has provided a variety of technical assistance through workshops, training, seminars, market analysis, and other activities to help member institutions identify and service markets in their areas

The technical assistance programs are operated through a FHLBank's community investment office and are available to all of that FHLBank's members.

Lastly, the FHLBanks committed to lend up to \$200 million in CIP advances to support the Local Initiatives Support Corporation's (LISC) rural program (see page 3). Under the Rural LISC program, each FHLBank's community investment office will provide support to LISC and 68 LISC-selected CDCs, and create partnerships with them and members of the FHLBank System. These members, in turn, will use CIP advances to finance rural housing and community development loans sponsored by the 52 CDCs. In addition, LISC and the FHLBanks will provide technical assistance to borrowers and lenders.

\$127 Million in 5 Years

"Special-Needs" Populations Account for 35% Of AHP Funding; 33,000 Households Assisted

A recent analysis on the uses of AHP funding reveals that on a national level AHP-assisted housing for "special-needs" populations receive more than 35 percent of all AHP dollars. The special-needs populations include elderly, homeless, or handicapped households. The analysis was conducted by the Federal Housing Finance Board's Office of Housing Finance (OHF).

The analysis used 1991 through 1995 data and correlated the number of special-needs housing units assisted by each FHLBank's AHP, as reported by the Bank, as a proportion of that Bank's total AHP units. The totals from all the FHLBanks were then added, giving an FHLBank Systemwide snapshot of special-needs 'populations' use of AHP assistance (see chart on page 10).

As of December 31, 1995, the AHP had provided \$361.9 million in assistance for nearly 94,000 housing units. Of the total number of housing units, 35.1 percent -- or nearly 33,000 -- were for special-needs populations. Applying the 35.1 percent figure to the total AHP funds, results in an estimated \$127 million in AHP funding used for special-needs populations.

"The results from this analysis are very satisfying," stated Sylvia C. Martinez, director of the Office of Housing Finance that oversees the AHP for the Federal

Housing Finance Board, the regulator for the 12 FHLBanks

"The AHP was created to help some of America's neediest citizens, and this analysis shows the program is meeting that goal," Martinez added.

Of the 12 Federal Home Loan Banks (FHLBank), the FHLBank of Pittsburgh was the top-ranked Bank in the analysis, using 64.4 percent of its AHP funding on special-needs

FHLBank size

is not a factor

in rankings

populations. In the past 5 years, the Pittsburgh Bank reported a total of 5,024 AHP-assisted housing units, 3,235 of which were for special-needs populations.

Recent special-needs projects receiving AHP funds from the FHLBank of Pittsburgh include:

- **Irwin Bank and Trust Company, Irwin, Pennsylvania** used an AHP direct subsidy of \$87,921 to renovate a vacant building in McKeesport and convert it into 15 one-bedroom apartments. The White Street Apartments provide permanent housing for homeless persons with mental disabilities having incomes at or below 50 percent of the area median

income. The project's sponsor is ACTION-Housing, Inc., a local nonprofit community organization. Total project costs were \$1.1 million.

- **Commonwealth Federal Savings Bank, Valley Forge, Pennsylvania** used an AHP direct subsidy of \$80,000 to rehabilitate and expand an existing vacant three-story house for use as a community residence for very low-income homeless person with AIDS. Most tenants at Calcutta House are minorities suffering from substance abuse and/or mental disabilities. The residence has 16 units, 12 of which are single-room-occupancy apartments. The project sponsor is Calcutta House, a local nonprofit community agency. Total development costs for the project were \$1.4 million.

The analysis revealed also that the asset size of an FHLBank did not correspond to the FHLBank's performance in funding projects with special-needs housing units. The San Francisco district, which is the largest in the FHLBank System in terms of average 1995 assets, reported both the greatest number of AHP-assisted units (14,972) and special-needs units (4,376), yet ranked tied for 9th in the analysis with 29.2 percent of its AHP-assisted units dedicated to special-needs populations.

Similarly, the FHLBank of Atlanta, which is ranked second

(See ANALYSIS, page 10)

(ANALYSIS, from page 9)

largest in terms of average 1995 assets, reported 11,662 AHP-assisted units but ranked 6th in the analysis, with 32.1 percent (3,745) of its AHP-assisted units for special-needs populations.

Overall, four FHLBanks (Pittsburgh, New York, Boston, and Seattle) exceeded the Bank Systemwide average of 35.1 percent of AHP-assisted housing units dedicated to special-needs populations. Seven other Banks, though below the 35.1 percent average, were within 10 percentage points of that figure.

OHF analysts caution that the figures used in the analysis were compiled from raw data reported by each FHLBank and do not account for possible double-booking, e.g., a single unit being occupied by an individual that is both elderly and handicapped.

Due to specific problems in their districts, the FHLBanks have expanded informally the definition of "special-needs" populations to include disadvantaged children, the mentally and emotionally impaired, minorities, and individuals recovering from drug and alcohol abuse. Using that expanded

definition, other noteworthy projects for special-needs populations include:

- **Shawmut Bank, N.A. of Boston, Massachusetts.** used an AHP direct subsidy of \$127,500 to help rehabilitate and enlarge a vacant building in Roxbury, Massachusetts to create the Latinas Y Ninos (Women and Children) project. The facility serves the residential, social service and substance abuse treatment needs of up to 20 very-low-income Hispanic women and up to 12 dependent children. This residential program is the first of its kind in the state, and is unique in that it allows women to keep custody of their children while undergoing treatment for substance abuse. The project provides housing in shared rooms and family suites. Rents at Latinas Y Ninos are equal to 10-20 percent of each resident's income. The sponsor for the \$1.3 million project is Nueva Vida, Inc. Other loans, grants or equity came from the following sources: Shawmut Bank; the City of Boston; the Commonwealth of Massachusetts; the Riley, Hyams, Amelia Peabody, Clipper Ship, State Street, Boston Globe and Ratskesky Foundations; the Noonan Memorial and Coolidge Family Funds; the Agnes M. Lindsey Trust; the Bank of Boston; private individuals and an anonymous donor.

- **First of America Bank, Grand Rapids, Michigan.** used an AHP direct subsidy of \$25,950 to help purchase three adjacent homes in Grand Rapids for rent to very-low-income individuals with disabilities. Each house in the project -- known as Carlton Homes -- has three bedrooms and three baths, providing living spaces for

(See ANALYSIS, page 11)

Special-Needs Housing Units

FHLBank	Total Special-Needs Units	Total Reported AHP Units	Percent of Special-Needs vs Total
Pittsburgh	3,235	5,024	64.4%
New York	4,051	8,261	49.0%
Boston	2,427	5,363	45.3%
Seattle	3,827	8,517	44.9%
Des Moines	3,130	9,366	33.4%
Atlanta	3,745	11,662	32.1%
Indianapolis	1,571	5,073	31.0%
Cincinnati	1,753	5,897	29.7%
San Francisco	4,376	14,972	29.2%
Chicago	1,823	6,247	29.2%
Topeka	1,729	6,464	26.7%
Dallas	1,186	6,838	17.3%
Systemwide	32,858	93,666	35.1%

(ANALYSIS. from page 10)

seven renters and a live-in staff person to support and assist the tenants. Carlton Homes is open only to tenants suffering from Prader-Willi Syndrome, a developmental disability with life-long and life-threatening characteristics. While at Carlton Homes, the tenants receive special schooling and counseling, and psychological and sociological guidance. The project's sponsor is The Hope Network. In addition to the AHP subsidy, additional funding for the \$266,000 project came from the Michigan Department of Mental Health and the City of Grand Rapid's HOME program.

• **MidAmerica Federal Savings Bank**, Naperville, Illinois, provided an AHP direct subsidy of \$60,000 to help purchase and renovate homes in five Chicago suburbs for use as groups homes for very-low-income developmentally

disabled persons. The project sponsor, Sequin Services of Cicero, Illinois, purchased single-family ranch-style homes in the communities of Berwyn, Cicero, Forest View, North Riverside, and Stickney and converted each house into a group home accommodating three clients and a very-low- or low-income live-in family to serve as full-time aides to the clients. Additional funding for this \$850,000 project came from MidAmerica Federal and the Cook County HOME program.

• **Charter Bank for Savings**, Santa Fe, New Mexico, provided an AHP direct subsidy of \$64,000 to help build eight two- and three-bedroom apartments of transitional housing for homeless families. Tenants are taught skills for independent living, searching for a job, and improving family relations and child care. The project is a part of the Tierra Contenta planned community, an

850-acre, 3,500-unit, mixed-income development initiated by the City of Santa Fe. The sponsor for this \$786,000 project is St. Elizabeth's Shelter, a local, nonprofit. The project serves families with annual incomes ranging between \$10,312 and \$12,125. Additional funding for the project came from the Tierra Contenta Corporation, the City of Santa Fe, HUD, the Frost Foundation, and private fundraising. □

(O'NEILL, from Page 7)

Mr. O'Neill received his J.D. degree from Harvard Law School in 1980.

Mr. O'Neill, a native of Indianapolis, Indiana, lives in Arlington, Virginia, with his wife, Virginia Elliott, and their three children, Elizabeth Porter, John Timothy, Jr., and David Elliott. □

(MORRISON, from page 7)

developers, religious leaders, and regional elected officials to create solutions to the affordable housing crisis.

In Washington, he helped create legislation to improve the regulation and supervision of insured financial institutions and authored legislation on the use of Federal funds for the development of owner-occupied housing in urban areas.

Mr. Morrison also was extensively involved in domestic and international financial issues through his membership on the Committee on Banking and Urban Affairs. He served on both the Financial Services and International Trade and Finance Subcommittee. As a member of these subcommittees, he was substantially involved in oversight and legislation regarding financial services, trade, and international finance. He founded the Third World Debt Caucus, which advocated the restructuring of the debts of lesser developed countries to expand investment and trade.

As chairman of the Judiciary Committee Subcommittee on Immigration, Refugees and International Law in the 101st Congress, he authored and shepherded through the Congress the legislation that became the Immigration Act of 1990. This bill signed into law by President Bush in November 1990 is the most comprehensive revision of immigration law in U.S. history. The legislation contains provisions for expanded business visas and a new program for investor immigrants.

Mr. Morrison was also a member of the Select Committee on Children, Youth and Families and led the committee's 1989 inquiry into health care access.

A 1973 graduate of Yale Law School, Mr. Morrison holds a bachelor's degree in chemistry from the Massachusetts Institute of Technology and a master's degree in organic chemistry from the University of Illinois. He and his wife, Nancy, have a son, Drew. □

Report Card on NPH Efforts

FHLBank System Scores Early Successes In National Partners for Homeownership Plans

President Clinton's effort to increase homeownership in the nation got off to a fast start in the first nine months of the year. As the nation's homeownership rate increased by nearly 1 percent and the number of new homeowners jumped by 938,000, according to the Department of Housing and Urban Development.

The administration's National Partners for Homeownership (NPH) aims to add eight million households to the homeownership ranks by 2000. When that goal is reached, it will bring the homeownership rate to a record 67.5 percent. The present homeownership rate is almost 65 percent.

The FHLBank System is one of 58 major public and private housing industry groups that constitute the NPH. These partners are collectively committed to implementing 100 "action items" listed in the National Homeownership Strategy. The 12 FHLBanks are participating in 37 of the action items.

At the top of the FHLBank System's accomplishments is the approval of a set-aside of AHP funds to assist first-time homeowners (see story on page 1). Under this plan, each FHLBank has the option of creating a program that would encourage potential first-time homeowners to save at member institutions. After a period of time, the household's savings would be matched by up to \$5,000

from the FHLBank's Affordable Housing Program. The combined savings and matching funds would be applied towards a downpayment and closing costs. An FHLBank may also set aside funds for an alternative homeownership program that is consistent with the goals of the NPH, with Housing Finance Board approval.

Three FHLBanks have already set aside AHP for these purposes, and many other FHLBanks are planning to do so in 1996.

The FHLBank System also has increased its efforts to help provide homeownership for Native Americans on tribal lands. On September 12, the Federal Housing Finance Board, the FHLBank System's regulator, approved the application of the Minnesota Chippewa Tribal Housing Corporation to be the Bank System's 23rd nonmember mortgagee (see story on page 7).

As a nonmember mortgagee, the housing corporation is authorized to receive advances (loans) from its regional FHLBank for housing-related activities. The Housing Finance Board's action marks the first time a Native American housing agency will have direct access to FHLBank System advances.

In a related event, the FHLBank System in November was a cosigner on an agreement with the Minnesota Chippewa Tribe to

"advance the cause of homeownership" and "develop sound and shared approaches for solving obstacles to home buying" for the tribe. Other signers of the agreement were HUD, the Minnesota Housing Finance Agency, the FHLBank of Des Moines, and the Minnesota Chippewa Tribal Housing Corporation.

Also, in September the FHLBanks of Dallas, Seattle, and San Francisco, and the Housing Finance Board, joined several other housing organizations in signing an agreement with the Navajo Nation to provide banking and mortgage credit services to support housing strategies (see story, page 13).

Other action items that are complete or being implemented, include.

- Six FHLBanks have established homeownership projects among those eligible for a district priority in the AHP

- The FHLBanks have agreed to provide \$200 million in Community Investment Program advances for use in the Rural Local Initiatives Support Corporation program (see story on page 3). All of these funds will be used in rural areas, some for housing acquisition and rehabilitation by low- and moderate-income families.

- The FHLBank of Boston held a two-day conference on
(See PLANS, page 13)

Three FHLBanks Join Agreement

Public, Private Sectors Join Navajo Nation To Improve Credit, Housing on Tribal Lands

Following several months of negotiation, Federal banking and housing agencies and Fannie Mae have signed an agreement with the Navajo Nation to increase banking, credit, and mortgage activity on tribal lands in support of housing strategies developed by tribal leaders.

The agreement was signed on September 24 in Aneth, Utah. It commits the signatories to "make their best effort" within the next 12 months to implement 31 action items that would help increase the rate of homeownership on the Navajo Reservation.

The 31 action items include technical assistance, educational, regulatory and financial support, as well as loan and grant programs, homeownership counseling, training programs, expedited government loan

processing, and help in creating nonprofit community development corporations.

The agreement was signed by representatives of the Navajo Nation: the Department of Housing and Urban Development; Fannie Mae; Zions National Bank of Moab, Utah; First National Bank of Farmington, New Mexico; the Federal Home Loan Banks (FHLBank) of Dallas, San Francisco, and Seattle; and the FHLBanks' regulator, the Federal Housing Finance Board.

The September agreement expands upon an agreement of June 1994, in which Federal banking and housing agencies agreed to help increase the flow of private sector mortgage credit to trust-held tribal lands of Native Americans.

The greatest obstacle to affordable private sector mortgages

on Native lands is bridging the gap between lenders accustomed to fee-simple mortgages and Native Americans whose land is usually held in leasehold interests.

Many Native American populations hold their lands in a land trust for communal use and seldom sell it. While tribal lands can be leased for home building, lenders have been reluctant to provide mortgages because in the event of a default it is more difficult, if not impossible, for a lender to assume ownership of the land on which the house sits. Changes in tribal policy and underwriting standards can allow more Native Americans to buy homes on tribal lands.

Under the terms of the agreement, the Navajo Nation will establish a single office to

(See **AGREEMENT**, page 14)

(PLANS, from page 12)

"Mobile Home and Mobile Home Park Financing."

- The FHLBanks, through their community support programs, continue to provide hands-on technical assistance to their members to help them send first-time homeowners.

- Several FHLBanks have conducted regional conferences on private/public leveraging, homeownership education and technical assistance for

communities, and techniques for fostering collaborative partnerships

- The FHLBanks continue to promote successful housing partnerships in their publications

- The FHLBank of Seattle agreed to allocate \$250,000 in AHP funds for credit enhancement for Navajo homebuyers. The Federal National Mortgage Association will purchase the loans

- Several FHLBanks have participated in HUD-sponsored

training sessions and conferences for Native Americans.

- The FHLBank of Seattle produced an informational guide for new community-based nonprofit housing developers and lenders in rural communities.

- Building Blocks issued a special edition for the NPH announcement, highlighting homeownership examples from each FHLBank district (see Vol. 3, No. 4, April 1995). □

administer all conventional housing programs. and provide home buying and credit counseling to tribal members.

The Federal Home Loan Bank System (FHLBank System) has agreed to provide technical assistance and wholesale loan products and services to member financial institutions wishing to expand credit services to Native Americans. It will also provide technical assistance to support capacity-building among Native American nonprofits, and explore ways to support other Native American financial and housing intermediaries.

In addition. the FHLBank System will seek to increase the number of Native Americans serving on the FHLBanks' boards of directors and advisory councils.

The FHLBank System has also agreed to a series of monthly, quarterly. and annual consultations and meetings to evaluate progress on the intent and terms of the agreement. Also. it will work with the tribal leaders to restructure existing programs and use them in conjunction with other programs to provide the full range of homeownership opportunities for the Navajo Nation.

Lastly. the FHLBank System will work in partnership with Fannie Mae to combine AHP funds with Fannie Mae's investments to finance homeownership for Native Americans on trust-held lands. and will support Zions First National Bank's initiative with Fannie Mae. Two FHLBank System members. Zions Bank and First National Bank of Farmington. also agreed to expand access to banking services on the Navajo reservation.

Fannie Mae will design lending products and a conventional mortgage loan product for Native American communities. using as partners private mortgage insurers and title insurers.

In addition. Fannie Mae will create a partnership with the FHLBanks' Affordable Housing Program to increase homeownership opportunities on

The Bank System

hopes to increase

Native Americans'

presence on

boards of directors

and

advisory councils

tribal trust lands. and recommend the purchase of FHA Section 248 insured loans. Rural Housing and Community Development Service Section 502 Native American pilot program loans, and HUD Section 184 construction loans.

Fannie Mae also has committed to working with Zions Bank and other participating lenders to create a demonstration loan program to finance mortgages for at least 50 families on the Navajo Reservation. It also will purchase eligible conventional mortgage loans originated on tribal lands. and create educational

housing material for Native Americans.

The Federal Housing Administration (FHA). the Southwestern Office of Native American Programs (SWONAP). and the Neighborhood Reinvestment Corporation (NRC) also signed the Aneth agreement.

The FHA agreed to consult frequently with Navajo leaders to discuss homeownership opportunities. The FHA will also work to enhance the Section 248 Mortgage Insurance Program by speeding processing of applications. working with public and private entities to implement the program. accommodating tribal needs related to the alienability of properties effected by the program. and working with Fannie Mae and Freddie Mac to enhance their ability to purchase Section 248 loans.

SWONAP agreed to frequent meetings with leaders of the Navajo Nation and other entities to discuss a variety of housing-related issues. especially issues surrounding the use and implementation of the Section 184 Construction Loan Program. SWONAP will also encourage increased use of Federal housing and economic development programs. and encourage the Navajo Housing Authority to consider alternate forms of Indian Housing Authority financing using equity resources to expand homeownership opportunities in the Navajo Nation.

The NRC will commit \$65,000 and staff to create a **resident-driven nonprofit**

(See AGREEMENT. page 15)

CDFIs to Receive \$31 Million in Funding

The Department of the Treasury announced on October 19 that \$46.5 million is available to Community Development Financial Institutions (CDFI) and insured depository institutions for community development projects. The announcement, along with an interim rule, was made in notices of funding availability (NOFAs) published in the Federal Register.

According to the NOFAs, \$31 million of the total is available for CDFIs with the remainder available to insured depository institutions. Additional funding may be available later.

CDFIs will be eligible for funding under the CDFI program, and depository institutions will receive funding under the Bank Enterprise Award (BEA) program. Both programs were authorized by the Community Development Banking and Financial Institutions Act of 1994.

The CDFI program is designed to help establish a national network of financial institutions dedicated to community development, while the BEA program is intended to encourage depository institutions to make

investments in CDFIs. The CDFI program is designed also to increase lending activities and provide financial and other services in distressed communities.

Both the CDFI and BEA programs are intended to complement initiatives that support a range of community development activities and facilitate partnerships between traditional lenders and CDFIs.

Assistance for CDFI funding will be through a competitive application process, and all financial assistance awarded through the CDFI fund must be matched on a dollar-for-dollar basis from nonfederal sources.

In exceptional situations where applicants face severe funding restraints, the required match may be reduced by up to 50 percent.

Funding under the BEA program also will be awarded through a competitive application process. In general, the amount awarded for equity investments in CDFIs will be equal to 15 percent of an applicant's anticipated increase in such investments. For other

eligible development activities, the award will be about 5 percent.

Awards will be based on activities that have actually been implemented. If the awardee completes 90 percent or more of its activities, it will receive the full estimated award amount. But if only part of the project is implemented, the institutions will receive only a partial award. Partial achievement must be at least 75 percent to receive a partial award.

A depository institution cannot receive BEA funding if it has applications pending under the CDFI program, has received assistance from the CDFI program within the past 12 months, or has ever received funding under that program for the same activities proposed in a BEA program application. Applications for the CDFI and BEA programs were originally due in December, but they were extended to mid-January and may be further extended due to governmentwide closures.

For more information on the programs, contact the Department of the Treasury at (202) 622-8662

(AGREEMENT, from page 14)

partnership organization, conduct workshops for lending institutions and borrowers, and sponsor a site visit to the Santa Fe Neighborhood Housing services program to enable partnership members to obtain firsthand experience in home lending. An additional \$35,000 for the new organization is contingent upon 1996 Federal appropriations.

The NRC will also assist the new community organization in establishing a \$350,000 revolving loan fund for secondary financing for first-time homebuyers, and begin at least one housing project

Also, the NRC will provide access to training opportunities in community development, economic

development, leadership and management, affordable housing, construction, and community lending through its national training institutes

A copy of the full agreement can be obtained from Mary Grace Helsper of the FHLBank of Seattle by calling (206) 340-8704

RESOURCES

"Development with Dignity: An Assessment of Community-Based Economic Development in the South." survey 50 CDCs. and is available for \$20 from the **Institute for Southern Studies**. P.O. Box 531, Durham. NC 27702, or by calling (919) 419-8311.

"Ranking the Lenders: Investigating for Patterns of Racial Discrimination in the Making of Home Loans" (35 pp.) is available from the **Washington Lawyers Committee for Civil Rights & Urban Affairs**. Suite 500, 1300 19th Street, Washington. DC 20036, or by calling (202) 835-0031.

"Taking Stock of Rural Poverty & Housing for the 1990s" includes data analysis, case studies of eight high-poverty rural counties, and two maps. It is available for \$16 from the **Housing Assistance Council**. Suite 606, 1025 Vermont Avenue, Washington. DC 20005, or by calling (202) 842-8600.

"Creating Affordable Communities: Inclusionary Programs in California." is a study by the **California Coalition for Rural Housing Projects** reporting on the successes of 64 California jurisdictions that utilize inclusionary zoning to meet affordable housing needs. It is available for \$10 by writing the CCRHP, Suite 422, 922 J Street. Sacramento, CA 95814, or by calling (916) 443-4448.

"Housing of American Indians on Reservations: An Overview" is a **Census Bureau** statistical brief available free by contacting Robert Bonnette at (301) 763-8553.

"Report on a Study of the Affirmative Fair Housing Marketing Process in Nonmetropolitan America" presents findings from an analysis of HUD and FmHA Affirmative Fair Housing Marketing Plans. It is available for \$4 from the **Housing Assistance Council**. Suite 606, 1025 Vermont Avenue. Washington, DC 20005, or by calling (202) 842-8600.

"The Comprehensive Achievements of Community-Based Development Organizations Tying It All Together" provides data on the CDC community as well as some of its 2,200 members, and is available from the **National Congress for Community Economic Development**. Suite 524 1875 Connecticut Avenue. Washington, DC 20009, or by calling (202) 234-4510

"Community Development Financial Institutions: Investing in People and Communities" is available (\$10 nonprofits, \$20 for-profits) from the **Woodstock Institute**. Room 550, 407 South Dearborn, Chicago IL 60605, or by calling (312) 427-8070.

"Case Studies on Affordable Multifamily Rental

Housing" presents 20 successful multifamily housing projects built by community-based developers. The 106-page document is available from the **Community Information Exchange**. 1029 Vermont Ave. NW Washington DC 20005, or by calling (202) 628-2981.

"Resource Guide on Single Room Occupancy Housing (SRO) for Older People" (48 pp.) by Victor Regnier and Julie Culver of the **National Eldercare Institution on Housing and Supportive Services** is available for \$12. To order contact the institute's Andrus Gerontology Center. University of Southern California. 3715 McClintock Ave. Los Angeles, CA 90089-0191.

Building Blocks is published quarterly by the Federal Housing Finance Board, Office of Public Affairs, 2nd Floor, 1777 F Street, N.W., Washington, D.C. 20006. The telephone number is (202) 408-2810.

Chairman

Bruce A. Morrison

Managing Director

Rita I. Fair

Acting Director, Office of Public Affairs

William J. Carey

Editor/Writer

Dennis O. McGee
