FEDERAL HOME LOAN BANK OF PITTSBURGH

COMMUNITY LENDING PLAN 2006

I. BACKGROUND / RATIONALE

The Federal Home Loan Bank of Pittsburgh (Bank) is pleased to provide its Year 2006 Community Lending Plan (hereinafter "Plan"). The Plan describes the Bank's efforts to assist its members in reaching their housing and economic development goals for the communities they serve. Within this Plan, we provide a summary of the unmet credit needs and market opportunities identified by the Bank for its district, which includes Delaware, Pennsylvania and West Virginia. These findings were derived from a variety of sources, including meetings with members and community stakeholders and research conducted during the preparation of the Bank's 2006-08 Strategic Plan.

On December 28, 1998, the Federal Housing Finance Board (FHFB) passed the Community Investment Cash Advance (CICA) regulation, affecting each of the twelve Federal Home Loan Banks. Under CICA, each Home Loan Bank is required to complete an initial assessment of the credit needs and market opportunities for community lending in its district. The regulation also required each Bank to develop an annual Community Lending Plan on or before January 31st. The Plan must be approved by the Bank's Board of Directors and submitted to the FHFB. While encouraging the Bank to develop new programs and initiatives, the regulation ultimately promotes renewed participation of member financial institutions in the housing and economic development of their communities. Requirements of the Plan are provided below:

A. Development of the plan requires that each Bank:

- Conduct market research in the Bank's district.
- Describe how the Bank will address the identified unmet credit needs and market opportunities in the Bank's district for community lending.
- Consult with its Affordable Housing Advisory Council, member institutions, housing associates and public and private economic development organizations in the district in developing and implementing its Plan.
- Establish quantitative community lending performance goals.

B. Each Bank must provide its member institutions with an annual notice containing:

- The identification of CICA programs and other Bank activities that may provide opportunities for a member to meet the community support requirements and to engage in community lending.
- Summaries of affordable community lending and housing activities undertaken by member institutions, housing associates, nonprofit housing developers, community groups, or other entities in the Bank's district, that may provide opportunities for a member to meet the community support requirements and to engage in community lending.

In response to the requirements set forth within the CICA regulation, the Federal Home Loan Bank of Pittsburgh implemented the following initiatives:

1. **Market Research** – The Bank's 2006-08 Strategic Plan included a detailed analysis of market conditions and credit gaps. The Bank continuously augments its Strategic Plan through research, focus group discussions and consultations. The Bank prepared two reports in 2002; 1. Comprehensive Neighborhood Development (CND) Strategy and 2. A Business Plan for community lending and investing.

   In 2005, the Bank developed the Blueprint Communities initiative, and continued research on general community development topics as well as research and focus group discussions on minority homeownership.

2. **Action Plan** – In this Plan, the Bank provides an action strategy describing its intentions to address the credit needs and market opportunities identified during the market research.

3. **Consultations with Bank Stakeholders** – In the development of this Plan and during the preparation of the Strategic Plan, CND Strategy and Business Plan, the Bank consulted with the following organizations:

   - Affordable Housing Advisory Council (AHAC)
   - Member financial institutions and housing associates
   - Public and private economic development organizations

4. **Performance Goals** – In this Plan, the Bank has established quantitative community lending performance goals.

II. CREDIT NEEDS AND MARKET OPPORTUNITIES SUMMARY

A. MARKET RESEARCH PROCESS

The Bank annually conducts research in the Bank's district to identify opportunities for stockholders to increase the availability of affordable housing finance, community development finance, and financial and credit services in underserved neighborhoods and communities. In conducting research and identifying opportunities, the Bank consults with stockholders, housing associates, the Advisory Council and public and private housing and economic development organizations within the district.

Market research was conducted in 2005 through the use of both primary and secondary sources. Primary sources include interviews, focus groups, surveys and direct observations. Secondary sources involve reviewing research and analysis prepared by other entities.

The FHLB of Pittsburgh conducted market research to identify potential credit needs and market opportunities. The primary source of the market research was conducted during the preparation of the Bank's 2006-08 Strategic Plan. The objectives of this research included:

- Determining the community lending gaps within the 3rd District;
- Identifying the District's most critical credit needs;
- Evaluating opportunities to target the Bank's financial and technical resources, within the Bank's Key Mission Principles[1], to assist member financial institutions to address identified credit gaps.

The research included an examination of the credit needs within the Bank's District through the following process:

- Analysis of the CICA regulation and the implications of the Community Reinvestment Act on community lending;
- Evaluation of the Bank's existing tools for community and economic development;
- Review of relevant existing reports and studies, including statewide consolidated plans;
- Outreach efforts to key economic development stakeholders including:
  - Member financial institutions
  - Public/private economic development organizations
  - Community financial intermediaries and technical assistance organizations

---

[1] *Key Mission Principles:*

- ***The Bank should not compete with members.***
- ***Housing is still the principal focus of the FHLB.***
- ***The Bank should focus on support of community banks.***
- ***The Bank has a special mission to facilitate projects that are "bankable" but need extra assistance in technical or financial engineering.***

- The Bank's Board of Directors and Affordable Housing Advisory Council

The report draws on all of these resources to provide an understanding of the district's credit needs and market opportunities.

B. SUMMARY OF CREDIT NEEDS AND MARKET OPPORTUNITIES

Excerpt from the Bank's 2006-08 Strategic Plan:

Economic Outlook
The U.S. economy should grow at or slightly below its long-run potential through the first half of the strategic plan period. Growth of about 3.5% per annum is likely. Growth in the past few years has benefited from strong underlying fundamentals: low interest rates, low inflation, healthy productivity growth and strong business balance sheets. As we enter the second half of the period, growth should slip toward the 3% level, which is close to the average level of growth in the past three decades. This downshifting should be expected, given the loss of both monetary and fiscal stimulus. Additional headwinds will be presented by high and rising energy prices, which reduce consumer discretionary spending, and a weakening U.S. dollar. A growing, but slower economy suggests that demand for FHLB advances may be steady, if not dramatic.

Capital Spending & Consumer Spending
The outlook for capital spending is bright. Corporate investment will be the primary driver of growth through the plan period. Investment will pick up first as inventories are worked down. Investments will be mostly geared towards productivity-enhancing equipment and software. With higher fuel and energy prices, companies will realize economic benefit from increasing expenditures in more energy-efficient buildings and machinery. Also, as distractions such as Sarbanes-Oxley fade, businesses will return their attention to business investment.

Consumer spending, which accounts for 70% of the total economy, has been upheld by the "wealth" effect occasioned by rising home prices, but this should be a factor only during the first quarter of the plan period. Wages and salaries will grow, but the impacts of the 2001 and 2003 round of tax cuts, as well as the period of historically low interest rates, are fading. Consumer spending growth should begin to recede beginning in 2006 and trend lower through the plan period. Consumer spending should pull back to slightly lower than its longer-term historical average of 3.2% as the plan period progresses.

Consumer spending will contend with the loss of mortgage refinancing opportunities and higher home equity borrowing costs as interest rates rise. Cash-out refinancings are expected to fall by 60% in 2006 by FHLMC. Additional slippage should be expected in 2007. To the extent that cash-out refinancings and Home Equity Loans (HELs) and Home Equity Lines of Credit (HELOCs) have been used to pay down or replace debt, consumer balance sheets should be in better position to weather the loss of future opportunities to bolster spending capability. The lack of personal savings will continue to be a problem. That is, deposit growth in our members is not likely to improve.

Housing

Housing activity should maintain its vibrant pace before turning lower in mid-2006. The year 2005 will mark the fifth consecutive year of record home sales. In 2006, full-year activity should turn lower as mortgage rates follow Treasury rates higher and as speculative activity wanes.

Housing prices will back off their recent torrid pace. A slow deflation of the housing price "bubble" is seen, but not an outright collapse. Average U.S. home prices rose 12.5% in the first quarter of 2005 over the same period in 2004, the fourth consecutive quarter of double-digit price appreciation with median prices rising above the $200k level for existing homes for the first time ever. This plan projects this as a peak.

Affordability, which reached a 14-year low in this year's second quarter, will remain a long-term problem. The last time affordability was this low was in 1991 when 30-year mortgage rates were 8.90%. Affordability issues have spawned non-standard mortgage products, such as interest-only or option mortgages, that carry varying levels of risk and which could include negative amortization. These may leave some households, and consumer spending in general, vulnerable to unforeseen shocks.

Additional research identified credit needs and market opportunities for community lending. These were as follows:

- The Bank should seek to address the critical housing needs in its district:
  - Special services for the frail elderly.
  - Relief for severely cost-burdened, especially rental housing (households earning less than 50% of median and paying more than 50% of income for housing.) Two-thirds of these households are renters.
  - Focus on homeownership for minorities and in urban areas.
  - Rehab of old housing stock.

- Oftentimes community banks do not have the resources and/or capacity to capitalize on community lending and investment opportunities. The Bank could offer new products and/or services to assist member banks to more fully participate in community development.

- Communities do not approach revitalization in a comprehensive manner. Comprehensive Neighborhood Development (CND) is either not done or is inadequate. Leadership, planning training and capacity-building are critical needs relative to promoting CND.

- In many non-profit organizations there continued to be a "brain drain" caused by the loss of skilled, experienced personnel to private sector jobs in other states or regions. This creates the need to continually train new personnel and develop renewed relationships with funders (like the Bank) and government agencies. Throughout the district (particularly in West Virginia and in rural areas), there is a lack of experienced development organizations who fully understand the pre-requisites to become a competitive applicant for Bank, Department of Housing & Urban Development (HUD) and other national/regional funding sources.

- Funding for predevelopment is limited.

- The lack of modern sewage, water, roads and other infrastructure necessities is still a significant problem in many rural communities. In most cases, the problem is better defined as having very old and underdeveloped systems that can no longer handle the needs of more modern communities.

- Funding programs locally, statewide and nationally do not complement each other in their targeted goals and application process. This creates a zero-sum situation where developers must often choose to mold a project to meet the needs of one funding source, at the expense of meeting the preferences for a second (although needed) funding source. For this reason, many projects are not fully funded and are therefore never implemented.

- Small businesses are clearly the major provider of employment opportunities within the district. Assistance for start-up and expansion of small businesses is a significant need within the district.

- There is a clear need to address the lack of available credit for firms located within low-income areas and for minority-owned and women-owned firms regardless of their locations.

- There are certain transactions that local banks cannot fund. Local nonprofits, Small Business Investment Companies (SBICs) and Community Development Financial Institutions (CDFIs) could serve as conduits for financing of small businesses without sacrificing the importance of proper credit worthiness analysis.

- Rural businesses show disparities in available credit sources and a lack of local organizations to serve as financing conduits and technical assistance providers.

- The need for equity capital, collateral enhancements or lower interest rates are the most common barriers to small businesses.

- The Bank's Community Investment products should be continually enhanced to streamline processing.

- Economic development programs should be linked to technical assistance through entities such as Service Corps of Retired Executives (SCORE) or Small Business Development Centers.

- Comprehensive and sustainable community development, including site preparation and redevelopment and neighborhood revitalization, are high priorities. However, most comprehensive strategies, such as brownfield redevelopment, require substantial public subsidies.

- Poor financial literacy, especially in low/moderate income households, is a significant issue throughout the district.

III. 2005 Performance and 2006 ACTION PLAN

The Bank had a very active and exciting year. The information below, and on the attached table, highlight the Bank's 2005 performance.

Minority Homeownership Initiative - In November 2004, the Bank kicked off its new Minority Homeownership Initiative with a financial literacy program designed to counsel at least one thousand low-income young adults by 2009. In January 2005, the Bank, along with nine banks serving Allegheny County, launched My Money, My Life: Financial Fitness for Young Adults in Allegheny County. My Money, My Life (MMML) is a free, five-year program aimed at educating young adults, ages 16-19, in low- to moderate-income neighborhoods about financial issues important to them throughout their lives. Program goals include increased financial literacy and avoidance of credit abuse by at least 1,000 young adults by 2009 and enrollment of several hundred parents, guardians or caregivers in similar financial literacy programs over the same period.

MMML Bank Partners include the Federal Home Loan Bank of Pittsburgh, the developer of the program, and nine area banks including Dwellinghouse Savings and Loan, ESB Bank, Iron & Glass Bank, Laurel Savings Bank, National City Bank, Northwest Savings Bank, PNC Bank, Sewickley Savings Bank and Sky Bank.

The MML initiative is administered by Neighborhood Housing Services (NHS) of Western Pennsylvania. In 2005, NHS established financial literacy clubs in ten neighborhoods, with approximately 20 young adults attending each club. NHS counselors, bankers and others served as instructors. Topics included setting financial goals, budgeting, understanding credit, appreciating risk, saving, investing, consumer spending, managing debt and selecting insurance. Classes incorporated lectures, videos, games, audience participation, handouts and worksheets and were held at neighborhood locations that were handicapped-accessible and near public transportation. Since many participants attended the clubs after school, free meals were provided. At graduation, any participant with an attendance record of 80 percent or better received a fee-free savings account and initial $100 deposit. In addition, parents, guardians or caregivers attending the graduation ceremony received a certificate to enroll in NHS' financial literacy/homebuyers clubs or receive credit restoration counseling at no cost.

A total of 188 young adults graduated from the 10 MMML classes in 2005. In 2006, NHS anticipates conducting 13 classes in various neighborhoods in Allegheny County. Additionally, the My Money, My Life program was selected as one of 8 winners of the Dominion 2005 Community Impact Award. NHS received $10,000 to benefit the program.

Blueprint Communities - In 2005, the Bank, in cooperation with fifteen (16) partners, launched Blueprint Communities, a revitalizing neighborhoods initiative, that will serve as a catalyst for creating sustainable neighborhoods in Delaware, Pennsylvania and West Virginia. Designed to encourage communities to approach revitalization holistically, the initiative takes into account physical, economic and social needs. The objectives of the initiative include fostering strong local leadership, collaboration and development capacity in older neighborhoods. They also emphasize vision, planning and strategy implementation, while encouraging coordinated investments into targeted neighborhoods.

The Blueprint Communities initiative involved 22 urban and rural communities across Pennsylvania during 2005, with the future prospect of expanding the program to communities in Delaware and West Virginia. The initiative is designed to serve as a catalyst to revitalize older communities and neighborhoods by fostering strong local leadership and collaboration, focusing on planning and goal-setting strategies, and building local program capacity to sustain community growth.

The initiative emphasizes a team approach to community development. Each participating team is comprised of a banker, developer, community representative, local elected official and two additional representatives. Youth participation was encouraged.

Those participating in Blueprint Communities received 5 days of intensive training that is complimented by additional assistance. Each Blueprint Community team received:

- Four days of leadership and community development training, including instruction by the Heartland Center for Leadership Development, materials, meals and lodging
- A one-day capacity and technical training session for representatives from housing development organizations and other team members
- A community profile, a 10+ page report of key demographic indicators and trends
- Instruction by high-quality, nationally known trainers who have tailored a program and accompanying materials
- A public relations/communication Tool Kit, which includes an 18-foot street banner, posters and a booklet entitled Back Home with Blueprint Communities – Ideas for Informing, Inspiring and Involving Your Community
- A Web site dedicated to the initiative, www.blueprintcommunities.com
- Ongoing technical assistance during and after the training sessions.

Further, because the training is recognized by the state's major housing and community development funders (program partners), communities may gain access to additional funding from state and federal resources to implement their plans once training in Blueprint Communities is complete. The Bank will target its housing and community development resources, affordable housing grants and loans to small businesses to participants in the Blueprint Communities initiative.

New Products - In 2004, the Bank introduced the Public Deposit Access (PDA) program which experienced continued growth in 2005. Working with the Pennsylvania Local Government Investment Trust (PLGIT), our member banks accept municipal deposits from the Trust. The Bank underwrites a Letter of Credit to support the creditworthiness of the member bank. This enables deposits from Pennsylvania municipalities to be channeled into Pennsylvania banks to support their communities' needs as opposed to being invested into the national capital markets.

The Prepayment Linked Advance (PPLA) was introduced in 2005 and is expected to gain increased importance to community banks in the future. The PPLA enables members to borrow an advance from the Bank which prepays based on the behavior of a member-selected mortgage pool. The PPLA adds another tool to community banks' financial toolbox. Typically, community banks sell mortgages in the secondary market to use traditional deposits or borrowings whose cash flows have no direct relationship to mortgage paydowns. The PPLA provides a new twist which helps to reduce earnings volatility: community banks can portfolio loans and fund them with advances (for portions of their lives) that prepay like a mortgage.

Community Lending Program - The Bank funded $39.2 million in specific project financing, an increase of 5% over 2004.

Affordable Housing Program - Completed one funding round, approving $10.4 million in AHP subsidy to 40 projects - creating 1,338 affordable housing units - having a total development cost of approximately $181.5 million.

Banking On Business - Approved approximately $5 million for small businesses in 2005. Since 2000, BOB has funded a total of $20.5 million to 253 businesses, leveraging nearly $126.4 million of total financing.

Home Buyer Equity Fund - Over 200 new homebuyers funded in 2005, pushing the total number of families assisted to 4,061 since 1996.

Pennsylvania Housing Alliance Conference - The Bank was a primary sponsor of the Pennsylvania Housing Alliance's Housing Conference held in December 2005.

Rural Housing Summit - The Bank was a primary sponsor of the PA Rural Housing Summit held in October 2005.

New Market Tax Credit (NMTC) Workshop - The Bank organized a NMTC workshop in Wilkes-Barre.

Homework 2005 - More than 120 Bank employees and family members joined Hosanna Industries in the 2005 HomeWork project during the week of October 10 in the communities of Etna (a Blueprint Community) and Millvale, damaged by last year's flooding.

Other Events - Completed several successful AHP/Congressional events. Conducted multiple AHP consultations and training sessions and Bank representatives attended 17 groundbreaking, ribbon cutting, and special events.

The following summarizes the Bank's performance in 2005:

2005 Goals	2005 Performance
Community Lending Program $40 million specific projects funded.	$39.2 million
Letters of Credit $350 million.	$1.4 billion total;$956 million standard LOC and $448 million PDA.
Community Development Investing $5 million HFA bonds.	$61.7 million. Purchased taxable bonds from the West Virginia Housing Development Fund and the Virginia State Housing Authority.
Technical assistance to members and CBOs Continue workshops and technical assistance.	• Conducted consultation sessions prior to the 2005 AHP funding round.
Implement a small business subsidy program $3 million accrual plus approximately $2 million in repayments committed to small businesses.	• Committed approximately $5 million to businesses.
Mission-related product development Develop new product ideas.	• Bank team continued working on the Minority Homeownership Initiative (see below).
Explore capacity-building initiatives • Implement Core Community Revitalization Training as part of the Blueprint Communities Initiative. • Continue capacity building initiatives.	• 22 communities completed the Blueprint Communities training. • 188 young adults completed the My Money, My Life training.
Expand access of non-member mortgagees and intermediary lenders • Continue to develop relationships with Housing Finance Agencies. • Encourage use of NMTC in the Bank's district.	• CID Director joined West Virginia's Inter-Agency Housing Council and was name a Board member for Keystone Investment, PA's NMTC recipient. • Organized a NMTC workshop in Wilkes-Barre.
Establish Bank as a community/ economic development leader • Expand Minority Homeownership Initiative to Philadelphia.	• Analyzed alternatives to serve the Hispanic community in our district.

2006-Goals – Summary	**2006 Goals**
1. Expand use of the Bank's existing community lending products.	
A. Community Lending Program	$42 million to specific projects
B. Letters of Credit	$1 billion
C. Taxable Bond Purchases	$10 million
D. Technical Assistance	Expand relationships with the Bank's partners and provide technical training to stakeholders
E. Banking On Business	Commit $7 million to small businesses
2. Create new products and delivery capacities.	
A. New Products	Continue to explore product opportunities relative to the provision of financial services in the Hispanic community
B. Increase Capacity in Underserved Areas	Hire a consultant to enhance presence in West Virginia
	Support workshops and training activities through the Bank's district
C. Blueprint Communities	Expand Blueprint Communities into West Virginia
D. Expand access of intermediary lenders	Enhance relationships with intermediaries
3. Establish presence as a community development leader.	
A. Partnerships	Co-sponsor events, implement the Bank's Public Relations and Government Relations plans.
	Present Pillars and Council awards
B. Minority Homeownership	Replicate My Money, My Life

2006 Goals Descriptions

1. Expand the use of the Bank's existing tools for targeted community lending through the following:

1(A). Loans

The Bank has created a loan product that incorporates the broader eligibility criteria permitted in the CICA regulation. The loan product, called the Community Lending Program (CLP), is priced at the Bank's cost of funds.

Creative partnerships with federal, state and local economic development funders will be cultivated to produce leverage opportunities. Combining loans with loan guarantees, Banking On Business funds, or creative equity investments from third parties could be incorporated to achieve greater value and impact.

The Bank will continue to emphasize specific project financing; member banks using CLP to match-fund loans to specific deals.

2006 Goal: *The Bank will loan $42 million in CLP funds to qualified specific projects.*

1(B). Letters of Credit

The Bank's LOC may be used for a variety of purposes, including to assist members to participate in municipal or state bond issues to fund projects such as hospital expansions, independent living facilities for seniors or other economic development initiatives. All three states in the Bank's district permit LOCs to secure public unit deposits.

In 2004, the Bank's Business Research and Development Department developed the Public Deposit Access (PDA) product. PDA offers the Bank's Pennsylvania members the opportunity to use our Letter of Credit (LOC) to secure additional investments from public entities, such as local governments, authorities and school districts. PDA involved a collaboration between the Bank, member banks and the Pennsylvania Local Government Investment Trust (PLGIT), a mutual fund for public institutions. The Bank's AAA-rated LOC provides members the credit support required to secure public deposits through PLGIT. As the PDA matures it will enhance the value of the LOC product.

2006 Goal: *The Bank will issue $1 billion in LOCs.*

1(C). Community Development Investing

The Community Development Investing tool offers great potential for meaningful housing and community development. The Bank has shown a strong

commitment to this area by developing strong relationships with the state housing finance agencies.

- **Purchase of state and local governmental unit bonds:** State and local governmental units within the district have difficulty meeting the collateral requirements for housing associates. Therefore, in an effort to meet their credit needs, the Bank directly purchases these agencies' debt obligations.

  The majority of the Bank's investments have been through the Pennsylvania Housing Finance Agency (PHFA). However, due to the current credit policy limits, the Bank has almost reached the maximum limit relative to PHFA bonds.

  The West Virginia Housing Development Fund may issue taxable bonds in 2006.

Bank investments in Small Business Investment Companies (SBICs), Tax Increment Financing projects or Section 108 bonds, for instance, offer the potential for innovative financing solutions in meeting credit needs. The Bank will continue to explore these opportunities.

2006 Goal: *$10 million in taxable bond purchases. Increases in tax exempt bond caps and credit policy limits will depress the volume of taxable bond purchases. The Bank will explore options to increase activity with PHFA.*

1(D). Technical Assistance

- **Community Support Statement Preparation:** The Community Investment Department (CID) is primarily responsible for working with member financial institutions to complete Community Support Statements. The Bank provides a well-trained group of professionals who are respected by members, community-based organizations (CBOs) and affordable housing developers. The staff meets with members to serve as a resource in completing the statements, as well as providing assistance to these groups on the use of our housing and community investment products. This practice will continue to be provided as a component of the Bank's 2006 Plan.

- **Liaison Role:** The CID will continue to introduce members to community groups or other sponsors of affordable housing and community development projects. In addition, to serve as an effective liaison with members, the CID and the Government Relations staff continue to forge relationships with organizations and agencies participating in federal, state and local housing programs.

1(E). Banking On Business Program

In 2000, the Bank successfully launched the Banking on Business (BOB) program, which is designed to assist member-financed small business start-ups and expansion. Under BOB, the Bank has funded $20.5 million from 2000-05. An additional $7 million will be allocated to BOB in 2006.

2006 Goal: *Continue the BOB program and commit all available funds to eligible small businesses. A portion of the BOB funds are set-aside for Blueprint Communities and other community development initiatives.*

2. Create new products and delivery capacities to meet economic development needs.

2(A). New Product Creation

2006 Goal: *The Bank will analyze the feasibility of creating new products to advance the Bank's mission and vision. An internal Bank team will continue to explore how to provide financial services to the Hispanic Community. The Bank's Business Research and Development Department will identify products with the highest probability for success and will proceed with product development.*

2(B). Increase Capacity in Underserved Areas

The Bank will pursue opportunities to enhance the capacity of existing organizations to undertake economic development projects. In some cases, where the structures do not exist, the Bank may serve as the catalyst to create new economic development institutions. For instance, the creation of an SBIC in an underserved area may be an appropriate activity for the Bank. The need for capacity enhancement is especially acute in rural areas.

The Bank recognizes that effective CBOs are a key element in encouraging members to participate in non-traditional partnerships for affordable housing and community development. In studying this issue, Bank staff found that CBOs require additional training in developing business plans, budgets, marketing and technology. The effective use of these tools by CBOs will assist members in understanding the complexities of these organizations, which will enable members to more effectively assist CBOs in improving local communities.

2006 Goal: *The Bank will support and sponsor training/education in workshops conducted by other organizations.*

2(C). Blueprint Communities

The Bank has identified Comprehensive Neighborhood Development (CND) as one of its strategic goals. The ultimate goal of CND is to create self-sustaining, thriving communities. In places that have strong markets, private demand sustains a community or local economy. Unfortunately, in many places in the Bank's district the conventional markets have broken down or do not exist at all. Strategic interventions are necessary to fill the gaps in the market.

CND seeks to transform distressed communities through an integrated rebuilding approach. It seeks to replace piecemeal approaches with broader efforts to strengthen connections among economic, social and physical needs. CND strategies attempt to coordinate human, neighborhood and social capital through the guiding principles of comprehensiveness and community building.

A strong neighborhood plan includes a clearly articulated vision, with clearly identifiable goals and a process for implementation. It should seek to change not only the physical environment, but also the perception of the community among residents and those outside the community. It is apparent that many places recognize the need to approach neighborhood change in a comprehensive manner. However, all to often, the necessary planning and consensus building either is not done or is inadequate.

In response, the Bank and its partners developed the Blueprint Communities Initiative that will serve as a catalyst for creating sustainable neighborhoods in Pennsylvania, West Virginia and Delaware. This initiative builds on the recommendations contained in the *Back to Prosperity* report (for Pennsylvania) published by The Brookings Institution Center on Urban and Metropolitan Policy and is supported by research completed independently by the Bank. The Bank's research examined strategies designed to encourage communities to approach revitalization holistically, taking into account physical, economic and social needs.

The mission of the Blueprint Communities is to serve as a catalyst to revitalize older communities and neighborhoods.

Objectives:

- Fostering strong local leadership, collaboration and development capacity in older neighborhoods.
- Serving as a catalyst for revitalization based on sound local and regional planning that includes a clear vision for the community and a comprehensive implementation strategy.
- Encouraging coordinated investments in targeted neighborhoods by public and private funders via a "funders network" concept.

2006 Goal: *The Bank will conduct additional training sessions and provide support to the original 22 communities and expand Blueprint Communities into West Virginia.*

2(D). Expand Access of Intermediary Lenders

For some economic development activities, other organizations may offer the best opportunity to meet credit needs in underserved markets. For example, CDFIs, SBA 504 Corporations, Community Development Entities under the New Market Tax Credits (NMTC), or local economic development intermediaries may be appropriate Bank partners for deals that require a higher degree of risk or technical assistance. Incorporating member participation in these partnerships will be explored.

2006 Goal:

- *Continue to enhance relationships with the Bank's Housing Associates*
- *Encourage the use of NMTCs in the Bank's district.*

3. Establish the Bank's presence as a community and economic development leader.

The Bank has a unique opportunity to become a leader in community and economic development finance. Our structure as a large wholesale institution, combined with our financial engineering expertise and our strong relationship with a network of approximately 350 financial institutions, are key assets as the Bank enters the community and economic development arena. The Bank's ability to build on these strengths is a strategic advantage.

Unlike the housing finance system, the community and economic development system is much more fragmented. It is important for the Bank to seek opportunities to improve the financing system by expanding our expertise and by forging strategic partnerships with community and economic development stakeholders. As the Bank expands its expertise and presence in community and economic development finance, additional opportunities will become apparent. In light of these findings, the Bank will implement the following initiatives:

3(A). Facilitate the creation of partnerships with state agencies, member banks, and other bank constituents.

- **Conference Sponsorship:** The Bank will seek opportunities to co-sponsor community development events.

- **Targeted Marketing Strategy:** The Bank's Government Relations, Communications and Community Investment Departments have developed a targeted marketing and public relations strategy that includes increased contact with community and economic development organizations. The Bank will monitor the effectiveness of the strategy in 2006.

- **Pillars of the Community Awards:** At regional stockholders' meetings, the Bank honors member financial institutions as partners who have completed exemplary housing or community investment projects. By promoting these awards at the regional meetings, members see firsthand innovative approaches to meeting credit needs within local communities. In addition, the Bank promotes the award recipients via national and local media, as a means to highlight innovative approaches to creating affordable housing and community investment.

3(B). Expand a minority/urban homeownership initiative.

2006 Goal: *The Bank will continue the My Money, My Life program in Allegheny County and will launch an initiative to assist the Hispanic Community.*

V. ADDITIONAL MARKET OPPORTUNITIES RESEARCH

The 2006 Plan requires the Bank to continue conducting research on credit needs and market opportunities. At the onset of its research phase, the Bank aggressively sought to receive comprehensive feedback regarding the needs of underserved communities and populations. This research was designed to provide the foundation for many of the Bank's future lending plans and community investment programs.

The Bank's commitment to accurately assessing the current and future needs of its District will continue. As a supplement to our current research findings, the Bank will have ongoing dialogue with the many agencies, housing developers and member banking institutions that participate in affordable housing and community investment initiatives. Our goal will be to supplement our current information database with new resources which may better equip the Bank to address the goals of its Plan. Such information is expected to be derived from the many partnerships currently existing between the Bank and its various constituents district-wide.