



Federal Home Loan Bank
NEW YORK

Community Lending Plan 2018



Executive Summary

The hurricanes that struck Puerto Rico and the U.S. Virgin Islands in September 2017 provide stark evidence of the pressing housing needs in District II. While these disasters are in the headlines today, lower-profile, long-running crises for housing affordability affect all corners of the district. And with the future of federal support for affordable housing uncertain at the end of 2017, with pending tax reform legislation in Congress¹, it is essential that other funding sources act strategically, efficiently, and in coordination when possible.

The Federal Home Loan Bank of New York (“FHLBNY” or “Bank”) offers three main programs to address these challenges: the Community Lending Programs, which offer discounted advances to Bank members to fund housing and community development; the competitive Affordable Housing Program, which awards grants to non-profit and for-profit developers that partner with Bank members; and the set-aside First Home ClubSM, which gives grants to first-time homebuyers for down-payment and closing-cost assistance.

In this 2018 Community Lending Plan, the Bank describes the fit between the needs of District II (New Jersey, New York, Puerto Rico and the U.S. Virgin Islands) and its programs, and it explains the motivation for new offerings and planned outreach initiatives in the areas of affordable housing and economic development. Lastly, it establishes quantitative goals for the Community Lending Programs.

This document draws on the insights of the Bank’s Affordable Housing Advisory Council (“AHAC”), including through a survey on priority issues and available information in the district; conversations with Members and non-profit and for-profit developers across the district during 2017; interviews with industry experts and reviews of published reports; and independent analysis of public data sets.

The Community Lending Plan satisfies the Bank’s regulatory requirement under 12 CFR 1290.6.²

¹ In District II, the New York Housing Conference provides timely analysis of legislative and regulatory issues. See New York Housing Conference (November 17, 2017), “Tax reform update: House bill passes with PAB elimination: Affordable housing at risk,” <http://thenyh.org/2017/11/17/house-bill-passes-pab-elimination-affordable-housing-risk/>.

² § 1290.6 Bank community support programs, Code of Federal Regulations, <https://www.gpo.gov/fdsys/pkg/CFR-2011-title12-vol7/xml/CFR-2011-title12-vol7-sec1290-6.xml>.

Table of Contents

| | |
|---|-----------|
| EXECUTIVE SUMMARY | 2 |
| TABLE OF CONTENTS | 3 |
| 1. COMMUNITY INVESTMENT OUTCOMES | 4 |
| A. Explore new approaches and partnerships to address key affordable housing and economic development needs within the District | 4 |
| B. Encourage continued use of the Bank's CICA products and programs | 5 |
| C. Provide technical assistance to members and community groups | 7 |
| D. Implement broader informational and promotional activities highlighting CICA program success stories | 8 |
| 2. DISTRICT II COMMUNITY LENDING NEEDS | 9 |
| A. After hurricanes, Puerto Rico and the U.S. Virgin Islands begin their recovery | 9 |
| B. New York and New Jersey residents squeezed between high rents and low inventory | 11 |
| <i>Renting is increasingly out of reach for the district's families</i> | <i>11</i> |
| <i>Options are also limited for renters looking to buy.....</i> | <i>18</i> |
| C. Homelessness, and the risk of homelessness, continues to be a daily crisis | 19 |
| <i>New York City schoolchildren bear the brunt of homelessness</i> | <i>19</i> |
| <i>New Jersey slashes emergency assistance as homelessness dips.....</i> | <i>22</i> |
| 3. PROGRAM CHANGES FOR 2018 | 24 |
| A. New disaster response programs will supplement the Bank's existing efforts..... | 24 |
| B. The competitive AHP in 2018 will give more project types a path to success | 25 |
| C. The Bank will continue to support first-time homebuyers through a more efficient program | 28 |
| 4. PLANNED STRATEGIC INITIATIVES FOR 2018 | 29 |
| A. Expand lending and grant program participation more broadly across the district..... | 29 |
| B. Position the programs to support neighborhood preservation and revitalization efforts | 31 |
| C. Create better ways to measure Bank programs' impact on the housing market | 32 |
| 5. QUANTITATIVE GOALS FOR COMMUNITY LENDING PROGRAMS..... | 33 |
| ANNEX | 34 |
| A. Additional resources for market information | 34 |
| B. Description of FHLBNY programs | 35 |

1. Community Investment Outcomes

In the 2017 Community Lending Plan, the Bank proposed four key lines of activity for outreach efforts to improve and promote the Community Investment programs.

A. Explore new approaches and partnerships to address key affordable housing and economic development needs within the District

The Bank continues to seek out partnerships with Members and organizations that will allow it to support innovative, meaningful approaches to address District II's housing challenges. The Bank's newest and most comprehensive effort in this regard in 2017 was to better understand the housing needs of Native Americans in the district. Many of the other Federal Home Loan Banks have extensive experience with Native American tribes in their districts, in particular through the competitive AHP. The 2016 AHP round marked the first time a tribally designated housing entity ("TDHE") applied to the AHP in District II. Though this application was not successful, it spurred the Bank to act.

In 2017, Bank staff made contact with all eight federally recognized tribes in New York State; no tribes in New Jersey, Puerto Rico or the U.S. Virgin Islands are federally recognized. This distinction is important because the Native American Housing and Self Determination Act ("NAHASDA") grants funds to federally recognized tribes according to the population and income levels on their reservations, and these funds, administered by a tribe's housing department or an independent TDHE, typically fund most housing efforts for residents of tribal lands. Of the tribes in New York, some opt not to accept NAHASDA funding, believing it to imply recognition of the federal government's authority over the reservation. Hence these same tribes were not interested in partnering with the Bank or seeking other outside funding. Still other tribes maintain minimal housing operations and are content to continue to rely solely on NAHASDA funds. Three tribes are now in active contact with the Bank: the St. Regis Mohawk (Akwesasne) tribe, Seneca Nation and Shinnecock Indian Nation. Additional activities in 2017 included:

- » Appointed Retha Herne, executive director of the Akwesasne Housing Authority, to her first term on the Bank's Affordable Housing Advisory Council;
- » Visited the St. Regis Mohawk (Akwesasne) tribe, Seneca Nation and Shinnecock Indian Nation to meet with staff, tour existing housing developments and survey the housing stock and needs, and brainstorm future partnerships with the Bank;
- » Met with Members in areas near reservations to discuss their perceptions of and possible participation in various federally-backed loan guarantee programs for home mortgages on tribal lands;
- » Incorporated NAHASDA income standards into the 2018 competitive AHP to make it easier for tribes and Members to submit applications;
- » Trained staff of tribes from New York State and others from across the Eastern U.S. on the Bank's housing programs, at a program hosted by the Department of Housing and Urban Development's Office of Native American Programs; and
- » Together with five other Federal Home Loan Banks, sponsored and attended the National Indian Housing Council's annual convention.

Going into 2018, the Bank will work to encourage partnerships between tribes in the district and Members and other non-profit housing organizations, and staff will continue to stay abreast of tribal housing needs, both on and off reservation, and of the funding environment for tribal housing projects.

B. Encourage continued use of the Bank's CICA products and programs

The Rural Development Advance ("RDA"), one of the Community Lending Programs, provides financing for economic development projects or programs in rural areas, benefitting individuals or families in areas where the census tract median income is at or below 115% of the overall area median income level. The RDA program offers low-cost advance rates and is available on a continual basis.

A "rural area" is defined in regulation³ as:

1. A unit of general local government with a population of 25,000 or less;
2. An unincorporated area outside an MSA; or
3. An unincorporated area within an MSA that qualifies for housing or economic development assistance from the USDA.

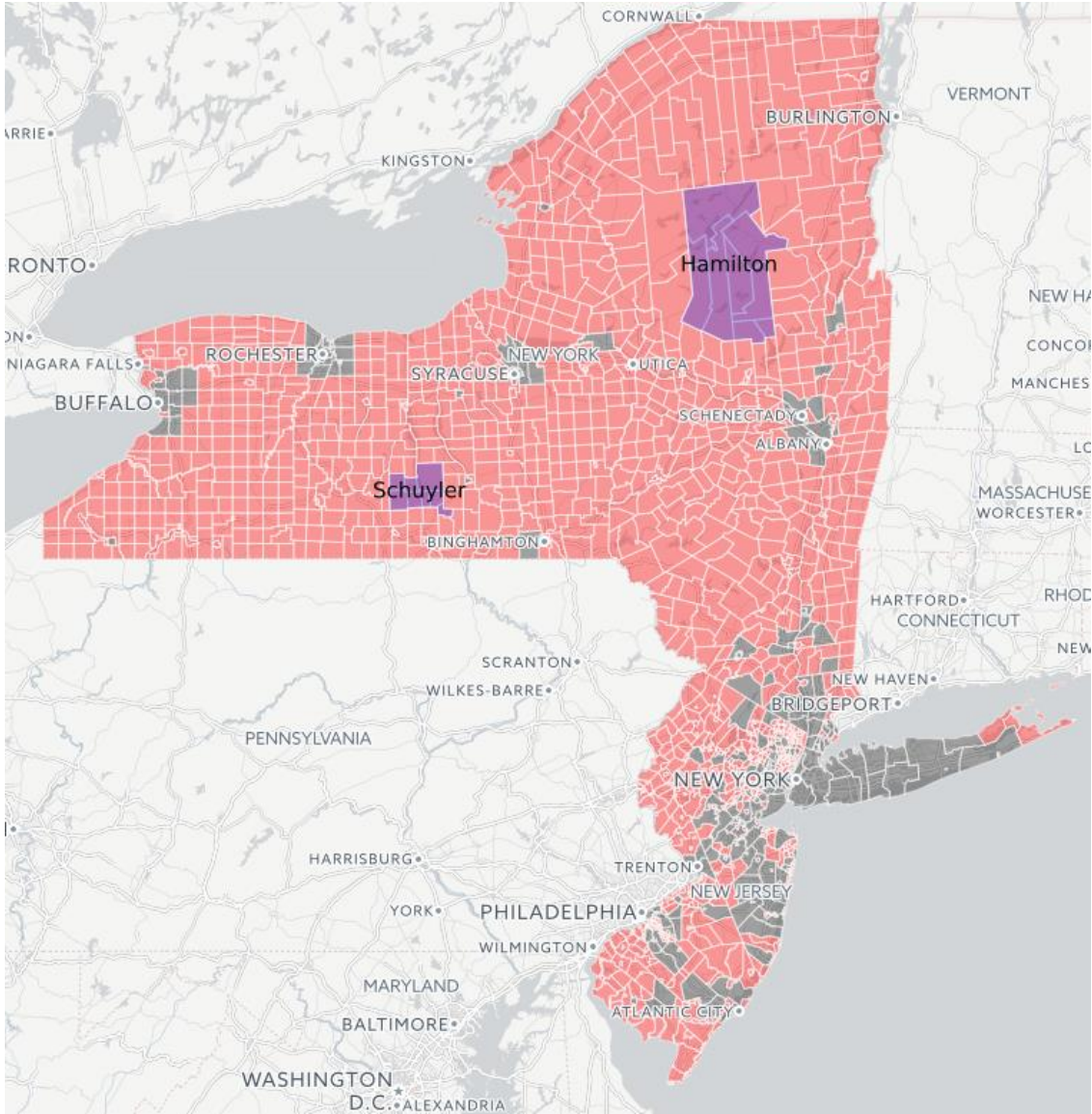
RDA activity was higher in 2017 than in 2016. In 2016, just one commitment was issued, for \$26 million to a single Member, and no advances were actually drawn down. As of the end of November, the Bank has issued \$24 million in RDA commitments in 2017 to two members, and members have drawn \$50 million, the sum of commitments issued in 2016 and 2017.

In general, however, Members may not be aware that a rural area could refer to a low-population township or incorporated village, rather than an entire county. Hence RDA activity is lower in the district than it could be, and raising awareness of the program has been and will remain a priority for the Bank.

³ § 1292.1 Definitions, Code of Federal Regulations, <https://www.gpo.gov/fdsys/pkg/CFR-2014-title12-vol10/xml/CFR-2014-title12-vol10-sec1292-1.xml>.

Figure 1 below shows the areas in the district that would qualify for RDA. The purple areas are entire counties where the population is 25,000 or less; the red areas are sub-county divisions, as defined by the US Census Bureau, where the population is 25,000 or less.⁴ (Note that all areas of Puerto Rico and the U.S. Virgin Islands are now eligible for the Bank’s Disaster Recovery Fund discounted advances, meaning for 2018 the RDA program is not necessary there.) As the map makes clear, the RDA program could be used widely across the district.

Figure 1: Map of counties and sub-county divisions with population 25,000 or less



Purple: Counties where the population is 25,000 or less
 Red: Sub-county divisions where the population is 25,000 or less
 Source: US Census Bureau, FHLBNY calculations

⁴ For data sets, see United States Census Bureau (2015), "ACS DEMOGRAPHIC AND HOUSING ESTIMATES by County," 2011-2015 American Community Survey 5-Year Estimates, https://factfinder.census.gov/bkmk/table/1.0/en/ACS/15_5YR/DP05/0400000US34.05000|0400000US36.05000|0400000US72.05000 and United States Census Bureau (2015), "ACS DEMOGRAPHIC AND HOUSING ESTIMATES by County Subdivision," 2011-2015 American Community Survey 5-Year Estimates, https://factfinder.census.gov/bkmk/table/1.0/en/ACS/15_5YR/DP05/0400000US34.06000|0400000US36.06000|0400000US72.06000.

C. Provide technical assistance to members and community groups

In 2017 Bank staff conducted an unprecedented number of technical assistance activities with Members and community groups to promote the Bank's housing programs and ensure the application, funding and monitoring processes are as clear and hassle-free as possible. As in years past, the Bank participated in some large-scale presentations in partnership with other funding agencies in the district. These included a presentation to dozens of non-profit and for-profit developers at the headquarters of the New Jersey Housing and Mortgage Finance Agency, and a presentation to community organizations and developers in Puerto Rico, prior to the devastation of Hurricanes Maria and Irma. However, the Bank's focus in 2017 was one-on-one interactions to support Members. It is this focused, technical training on which the Bank's Affordable Housing Program staff members pride themselves. Staff are available and thorough: they want to see projects succeed: In the 2017 competitive round, just five of 135 applications were rejected because they did not match the program's rules exactly. Among the efforts in 2017, as of November 30:

- » 55 in-person or phone technical assistance sessions with sponsors, developers and Members to discuss existing or potential AHP projects, and another 29 sessions for general training on the program; and
- » 27 training sessions with new, returning or prospective Member participants in the FHC.

In addition, 2017 saw an increase in the Bank's collaboration and coordination with other sources of funding for affordable housing in the district. Bank staff have re-activated or deepened relationships with these agencies:

- » New York City Department of Housing Preservation and Development
- » New York City Housing Authority
- » New York State Office of Temporary and Disability Assistance
- » New York Homes and Community Renewal
- » New York State Affordable Housing Corporation
- » New Jersey Housing and Mortgage Finance Agency
- » Federal Deposit Insurance Corporation

For 2018, the Bank staff will likely participate in more large-scale events in order to reach a larger audience and inform community organizations and Members about the revisions to the Bank's housing programs, particularly the competitive AHP and a more streamlined first-time homebuyer program, while continuing to provide individualized technical training.

D. Implement broader informational and promotional activities highlighting CICA program success stories

At the outset of the year, Bank staff encouraged Members and sponsors of competitive AHP projects to make the Bank part of their celebration plans, and over the past twelve months, the Bank has significantly increased its visibility in this regard. Bank staff addressed residents and other community members at events to celebrate the opening of many projects. These ranged from projects providing housing for homeless individuals with mental health issues and others serving homeless LGBTQ individuals, to projects serving low-income families in southern New Jersey and others on Long Island. Bank staff often shared the podium with city, county, and state elected officials, as well as with the leaders of state finance agencies.

And, for the first time, community investment staff were joined by colleagues from across the Bank, who demonstrated their support for the Bank's housing mission and were able to hear first-hand about the impact of the Bank's housing programs. In the most meaningful cases, Bank staff heard the testimonies of project residents, who often spoke about their prior housing circumstances and the value of safe, affordable housing in their communities. The Bank's marketing staff has shared these experiences on the Bank's LinkedIn page as a way to show potential employees and others the inclusive nature of the housing programs. These efforts will continue into 2018, as they provide ideal opportunities to connect with community organizations and Members in the area.

2. District II Community Lending Needs

District II comprises the states of New York and New Jersey and the territories of Puerto Rico and the U.S. Virgin Islands. Each of these areas has distinct and urgent housing needs, particularly for very low- and low-income residents. Resources cited in this section and in Annex A offer a comprehensive picture of the current market across the district. The trends highlighted here are the most relevant to the Bank's programs and plans for 2018.

A. After hurricanes, Puerto Rico and the U.S. Virgin Islands begin their recovery

Hurricanes Irma and Maria have caused immense devastation.⁵ The full financial cost has yet to be tallied by the federal government, but economists in Puerto Rico predict damage of \$115 billion, and that the territory's economy could contract by 15%.⁶ Unfortunately, the ability to obtain more definitive property damage assessments is likely several months away. In a recent letter to FEMA, the governor of Puerto Rico stated that over 300,000 homes have been destroyed, with many more homes being damaged.

The U.S.V.I. estimates \$5.5 billion in damages, including \$1.36 billion in housing losses.⁷ The Virgin Islands Housing Finance Authority reported that one-third of the territory's housing stock has been damaged (about 15,000 out of 43,000 units).⁸

In both territories, local organizations report that clean water and electricity continue to be the most pressing concerns, and while restoration of these critical infrastructure services is underway, progress has been slow. Recent reports from Puerto Rico describe businesses across the territory languishing and dying without electricity.⁹

Many residents of the territories are simply leaving. The Associated Press reported that as of November 15, more than 140,000 Puerto Ricans had left.¹⁰ This exodus is expected to transform whole cities and states, as well introduce new, severe needs for many school districts. The Center for Puerto Rican Studies at Hunter College estimates that over the year following the hurricanes, between 7,350 and 11,877 Puerto Ricans will migrate to New York State and between 3,504 and 13,572 to New Jersey.¹¹

Some have already arrived. New York City opened a Hurricane Service Center¹² that provides basic assistance and counseling. As of November 22, about 1,150 households had come to the center in the month since it had opened, but these figures likely represent a significant undercount of the arrivals to the New York City area and the state more

⁵ For updated statistics, see the National Oceanic and Atmospheric Administration's "Billion-Dollar Weather and Climate Disasters: Table of Events," <https://www.ncdc.noaa.gov/billions/events/US/1980-2017>.

⁶ Rebecca Spalding (November 16, 2017), "Puerto Rico Economists See Bleak Picture of Island's Future," Bloomberg News, available at <https://www.bloomberg.com/news/articles/2017-11-16/puerto-rico-economists-present-bleak-picture-for-island-s-future>.

⁷ The Virgin Islands Consortium (October 12, 2017), "Governor Mapp asks Congress for \$5.5 billion to help rebuild USVI," <http://viconsortium.com/featured/governor-mapp-asks-congress-for-5-5-billion-to-help-rebuild-usvi/>.

⁸ Notes from weekly coordinating call of organizations led by the National Low Income Housing Coalition.

⁹ Lizette Alvarez (November 15, 2017), "As Power Grid Sputters in Puerto Rico, Business Does Too," The New York Times, <https://www.nytimes.com/2017/11/15/us/puerto-rico-economy-jobs.html?hp&action=click&pgtype=Homepage&clickSource=story-heading&module=second-column-region®ion=top-news&WT.nav=top-news>.

¹⁰ Associated Press (November 15, 2017), "After Maria, US schools get influx of Puerto Rican students," <http://www.miamiherald.com/news/article184748363.html>.

¹¹ Edwin Meléndez and Jennifer Hinojosa (October 2017), "Estimates of Post-Hurricane Maria Exodus from Puerto Rico," Center for Puerto Rican Studies, Hunter College, City University of New York, https://centrop.r.hunter.cuny.edu/sites/default/files/RB2017-01-POST-MARIA%20EXODUS_V3.pdf.

¹² See <http://www1.nyc.gov/site/em/resources/hurricane-recovery.page>.

broadly.¹³ (The Hurricane Service Center relies on word-of-mouth for referrals, typically at airport baggage claims.) Most people arriving from both territories are likely unaware of local or state resources.

About two-thirds of households leaving the Center said they still had an unmet need, and about half of those said their need was for temporary or permanent housing. Though most households report that they have family and friends in the area with whom they can stay for at least a short time, they do not necessarily have a longer-term housing plan. No federal, state or local plan currently exists for housing these people or for providing them case management services to navigate the various support agencies.

Note that while some statistics referenced in this report were available for Puerto Rico and the U.S. Virgin Islands, many of those figures are irrelevant today in the wake of the destruction in those territories. Stakeholders interested in comparing the pre-hurricane status of housing on the islands to housing in New York and New Jersey would be well served by the 2017 Community Lending Plan.

In response to these disasters, the Bank disbursed over \$1 million in charitable donations to reputable high-capacity non-profits providing critical immediate relief services in Puerto Rico and the U.S. Virgin Islands. These funds included \$275,000 in contributions from the other members of the Federal Home Loan Bank System. The organizations receiving the funding were:

- » All Hands Volunteers
- » American Red Cross
- » Americares
- » Catholic Charities USA
- » Community Foundation of the Virgin Islands
- » Fondos Unidos de Puerto Rico, via United Way Worldwide
- » Neighborhood Housing Services of Ponce
- » Neighborhood Housing Services of San Juan
- » PathStone Corporation – Puerto Rico
- » Salvation Army
- » Sila M. Calderón Foundation
- » Virgin Island Housing Finance Authority

The Bank has also allocated \$1 billion toward Disaster Relief Funding, through the Community Lending Programs, to provide discounted advances to fund loans in Puerto Rico and the U.S. Virgin Islands. This program will be utilized by Members during 2018 as lending for rehabilitation and reconstruction begins.

¹³ Notes from call with Will Fairhurst, director of housing recovery at the Center for NYC Neighborhoods.

B. New York and New Jersey residents squeezed between high rents and low inventory

While the rental market shows some signs of cooling off, with landlords offering perks and deals to lure tenants at the high end¹⁴, the market serving those at the lower end remains punishing. This section illustrates how the district’s renters and potential homeowners are faring today.

Renting is increasingly out of reach for the district’s families

In the biggest metropolitan areas of District II, rent makes up an untenable proportion of households’ expenses. About half of renters could be designated “rent-burdened.” The data in **Table 1** below comes from the annual Harvard University study on housing.¹⁵ Households that pay more than 30% of their pre-tax income on rent are considered moderately rent-burdened, and those that pay more than 50% are severely rent-burdened.

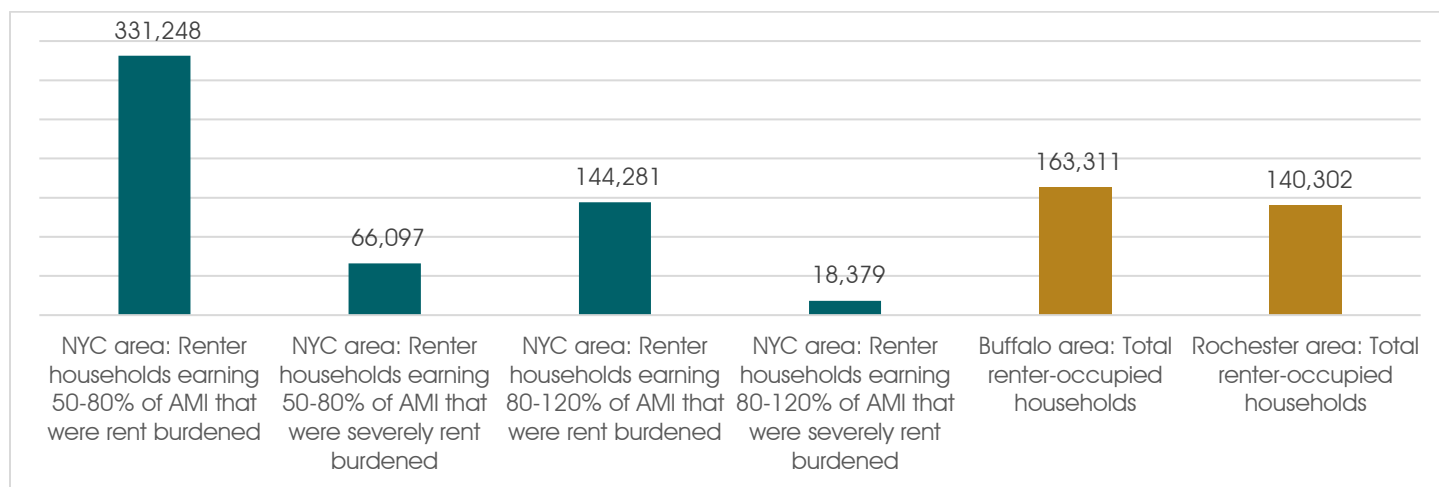
Table 1: Metro-area cost burden rates for renters (2015)

| Metropolitan Area | Share of renter households (percent) | | |
|---------------------------------------|--------------------------------------|-------------------|----------------|
| | Moderately Burdened | Severely Burdened | Total Burdened |
| Albany-Schenectady-Troy, NY | 20.6 | 25.8 | 46.4 |
| Buffalo-Cheektowaga-Niagara Falls, NY | 19.6 | 28.9 | 48.6 |
| New York-Newark-Jersey City, NY-NJ-PA | 22.7 | 29.9 | 52.5 |
| Rochester, NY | 23.6 | 29.0 | 52.7 |
| Syracuse, NY | 19.7 | 27.2 | 46.9 |

Source: Joint Center for Housing Studies of Harvard University

The sheer size of the New York-Newark-Jersey City metro area helps clarify the scope of the challenges renters in the district face. As **Figure 2** below shows, New York University’s Furman Center finds that the number of low- and moderate-income rent-burdened households in the New York City area dwarfs the entire population of renters in the other two largest metro areas in the district combined.¹⁶

Figure 2: Rental burden in New York City area (2015)



Source: NYU Furman Center, FHLB NY calculations

¹⁴ See Oshrat Carmiel (October 12, 2017), “New York’s Sweet Apartment Deals Are No Longer Wooing Renters,” Bloomberg News, <https://www.bloomberg.com/news/articles/2017-10-12/new-york-s-sweet-apartment-deals-are-no-longer-wooing-renters>.

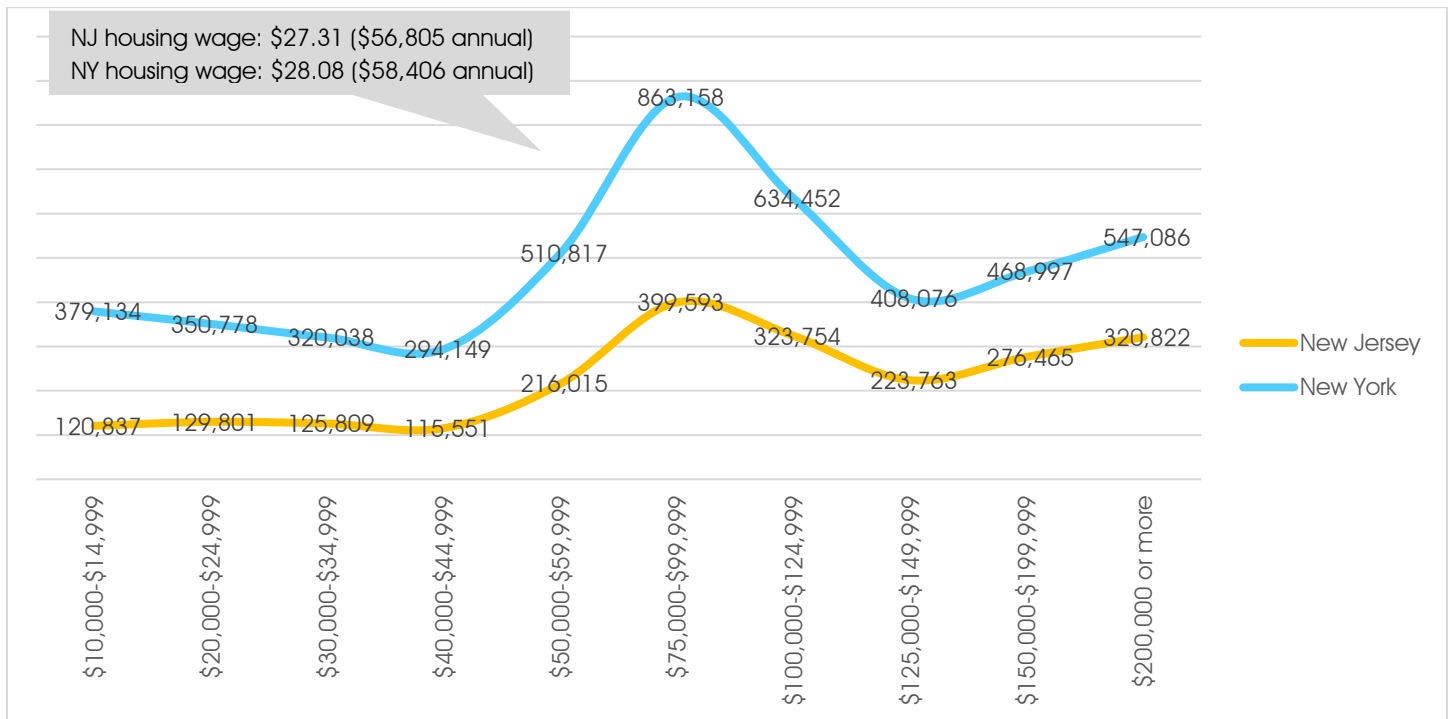
¹⁵ Joint Center for Housing Studies of Harvard University (2017), “The State of the Nation’s Housing 2017”, http://www.jchs.harvard.edu/research/state_nations_housing. See http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/all_son_2017_tables_current_6_12_17.xlsx for data.

¹⁶ Sewin Chan and Gita Kun Jush (2017), “2017 National Rental Housing Landscape: Renting in the Nation’s Largest Metros,” NYU Furman Center, http://furmancenter.org/files/NYUFurmanCenter_2017_National_Rental_Housing_Landscape_04OCT2017.pdf. Data also available at <http://furmancenter.org/nrh>.

Two rigorous metrics illustrate the gaps in dollar terms — and the real pains district residents face: the “housing wage” and a more nuanced model, called the “living wage.”

The “housing wage”¹⁷ is the wage a household would need to earn in a given market for rent to account for no more than 30% of a household’s pre-tax income, using market rate rents. The National Low Income Housing Coalition’s estimate for New Jersey’s housing wage is \$27.31 per hour, meaning a household has to earn that wage, collectively, to afford a market-rate two-bedroom unit. New York’s housing wage is \$28.08 per hour. Puerto Rico’s housing wage, prior to the devastation of the hurricanes, was \$9.68. For context, **Figure 3** below shows the distribution of household incomes for renters in New Jersey and New York.¹⁸ Hundreds of thousands of district households are below the “housing wage.”

Figure 3: Number of households by income group (2015)



Source: US Census Bureau, National Low Income Housing Coalition

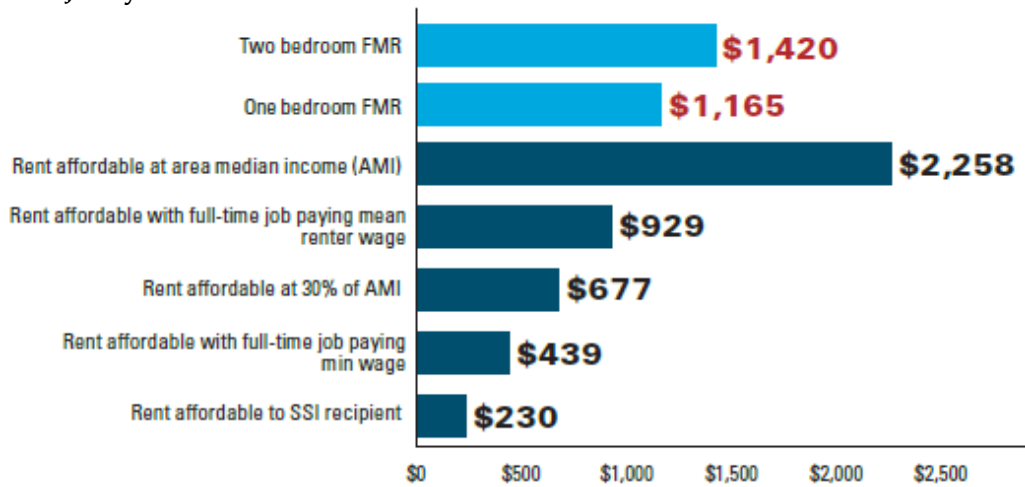
¹⁷ Andrew Aurand, Dan Emmanuel, Diane Yentel, Ellen Errico and Marjorie Pang (2017), “Out of Reach 2017: The High Cost of Housing,” The National Low Income Housing Coalition, http://nlihc.org/sites/default/files/oor/OOR_2017.pdf. County calculations and archive available at <http://nlihc.org/oor>.

¹⁸ United States Census Bureau (2015), “HOUSEHOLD INCOME IN THE PAST 12 MONTHS (IN 2015 INFLATION-ADJUSTED DOLLARS)” (2015), 2011-2015 American Community Survey 5-Year Estimates, https://factfinder.census.gov/bkmk/table/1.0/en/ACS/15_5YR/B19001/0400000US34|0400000US36.

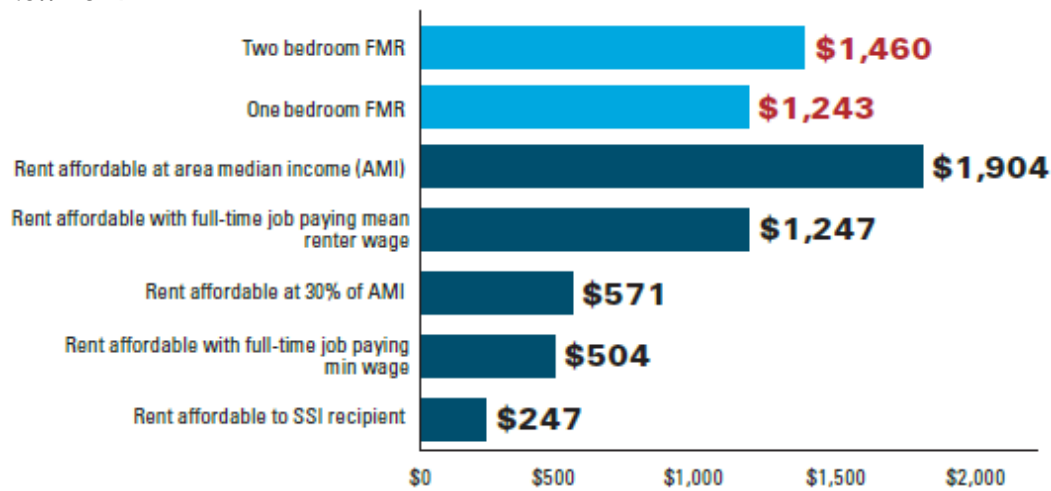
The graphs in **Figure 4** show how the housing wage compares to the area median income (“AMI”), the minimum wage, and other population segments. (Note that the top bar in each graph, for the fair market rent of a two-bedroom apartment, is the same as the rent affordable for households earning the housing wage.)

Figure 4: Rental affordability for low-income residents of New Jersey and New York

New Jersey



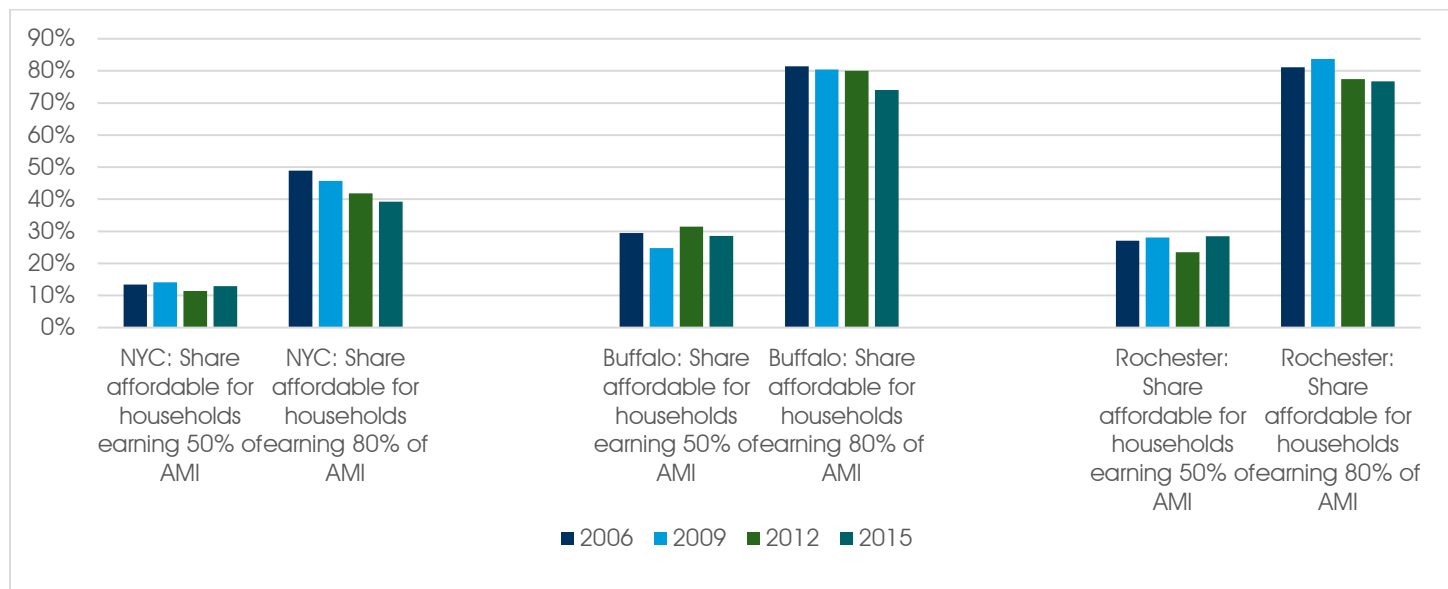
New York



Source: National Low Income Housing Coalition

The Furman Center quantified the extent to which the rental market is constrained for low-income households. Though households across the district are significantly rent-burdened, the challenges of New York City area renters are of a different order of magnitude. As **Figure 5** shows, low-income renters there must compete for just 13% of available apartments, and the share available to moderate-income households has fallen steadily to 39% of the available inventory. Simply put, the rental market is not meeting the needs of many area residents.

Figure 5: Share of recently available rental units that were affordable

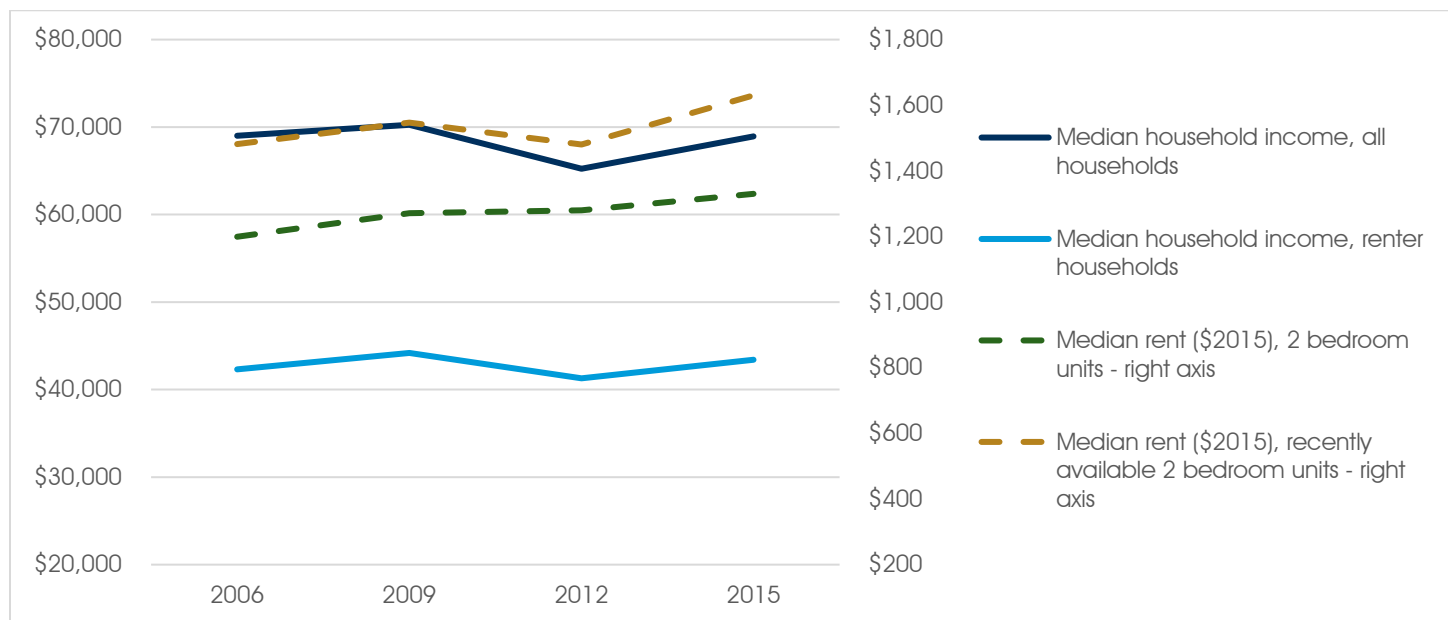


Source: NYU Furman Center

This lack of affordability is one side of a growing trend: households are not earning more money to pay these high rents. As **Figure 6** shows, over the past decade, as rents have risen in the New York City area, incomes among renters have not kept pace. This makes the area an outlier in the Furman Center’s study, which found renters’ incomes rose nationally, as more higher-income households opted to rent rather than buy.

The graph also shows that the challenge for individuals and families who need to move is especially acute: On average in the U.S., rental units that were on the market in the past 12 months had rents about 5% higher than units that had not been on the market recently.¹⁹ In the New York City area, the median rent of a two-bedroom apartment that was recently available in 2015 was \$1,630, or three hundred dollars more than the average for all two-bedroom units.

Figure 6: Flat incomes and rising rent in the NYC metro area



Source: NYU Furman Center, FHLB NY calculations

¹⁹ Chan and Jush.

The housing wage, used by the NLIHC and the Furman Center, considers household income as a whole, which hides some of the complexity of household formation and budgeting. For example, households can have one or more adults, with or without children; a two-bedroom apartment may not be a meaningful comparison across all the different household types and their needs.

MIT economist Amy Glasmeier's "living wage"²⁰ considers multiple household types and needs, in effect layering the specific annual household costs over and above the expense of housing. As **Table 2** and **Table 3** on the following pages show, households must balance the need for housing against other competing interests.

The annual Harvard study²¹ looked at these trade-offs in depth. The study found:

For example, severely cost-burdened families with children in the bottom expenditure quartile cut back most on food, spending just under \$300 per month compared with nearly \$500 among comparable households without cost burdens. To make ends meet, these families often do not buy enough food for their households or they substitute cheaper but less nutritious foods, either of which can jeopardize their children's health and development. Just as critically, severely cost-burdened families with children in the bottom expenditure quartile spent 75 percent less on healthcare in 2015—just \$18 per month—compared with otherwise similar households living in affordable housing. Severely cost-burdened households age 65 and over in the bottom expenditure quartile also made significant cuts in their healthcare spending, reducing outlays to just \$99 per month compared with \$263 among counterparts without cost burdens."

In other words, the high rental burden in the district squeezes very low- and low-income households — hurting their physical health as well as their financial health.

²⁰ Amy K. Glasmeier (2017), "Living Wage Calculator," Massachusetts Institute of Technology, <http://livingwage.mit.edu/pages/about>. County estimates also available.

²¹ Joint Center for Housing Studies of Harvard University.

Table 2: Living wage for New Jersey

| Annual Expenses | 1 Adult | 1 Adult 1 Child | 1 Adult 2 Children | 1 Adult 3 Children | 2 Adults (1 Working) | 2 Adults (1 Working) 1 Child | 2 Adults (1 Working) 2 Children | 2 Adults (1 Working) 3 Children | 2 Adults | 2 Adults 1 Child | 2 Adults 2 Children | 2 Adults 3 Children |
|---|----------|--------------------|-----------------------|-----------------------|-------------------------|------------------------------------|---------------------------------------|---------------------------------------|----------|---------------------|------------------------|------------------------|
| Food | \$3,464 | \$5,244 | \$7,806 | \$10,314 | \$6,351 | \$8,037 | \$10,321 | \$12,541 | \$6,351 | \$8,037 | \$10,321 | \$12,541 |
| Child Care | \$0 | \$7,942 | \$11,274 | \$14,605 | \$0 | \$0 | \$0 | \$0 | \$0 | \$7,942 | \$11,274 | \$14,605 |
| Medical | \$2,460 | \$6,713 | \$6,427 | \$6,587 | \$5,228 | \$6,427 | \$6,587 | \$6,445 | \$5,228 | \$6,427 | \$6,587 | \$6,445 |
| Housing | \$11,606 | \$16,471 | \$16,471 | \$21,310 | \$13,531 | \$16,471 | \$16,471 | \$21,310 | \$13,531 | \$16,471 | \$16,471 | \$21,310 |
| Transportation | \$3,568 | \$6,775 | \$8,850 | \$9,655 | \$6,775 | \$8,850 | \$9,655 | \$9,687 | \$6,775 | \$8,850 | \$9,655 | \$9,687 |
| Other | \$2,355 | \$3,841 | \$4,625 | \$5,760 | \$3,841 | \$4,625 | \$5,760 | \$5,246 | \$3,841 | \$4,625 | \$5,760 | \$5,246 |
| Required annual income after taxes | \$23,452 | \$46,987 | \$55,453 | \$68,231 | \$35,726 | \$44,410 | \$48,794 | \$55,230 | \$35,726 | \$52,352 | \$60,068 | \$69,835 |
| Annual taxes | \$3,563 | \$7,560 | \$9,191 | \$11,653 | \$5,477 | \$7,063 | \$7,908 | \$9,148 | \$5,477 | \$8,593 | \$10,080 | \$11,962 |
| Living wage: Required annual income before taxes | \$27,015 | \$54,546 | \$64,644 | \$79,884 | \$41,203 | \$51,473 | \$56,702 | \$64,378 | \$41,203 | \$60,945 | \$70,148 | \$81,796 |
| Difference between living wage and poverty wage | \$16,619 | \$39,978 | \$45,926 | \$57,013 | \$26,645 | \$32,760 | \$33,821 | \$37,336 | \$14,352 | \$22,152 | \$24,669 | \$28,413 |
| Difference between living wage and minimum wage | \$9,589 | \$37,107 | \$47,216 | \$62,462 | \$23,774 | \$34,050 | \$39,270 | \$46,946 | \$3,162 | \$13,042 | \$17,638 | \$23,462 |

Source: Living Wage Calculator, FHLBNY calculations

Table 3: Living wage for New York State

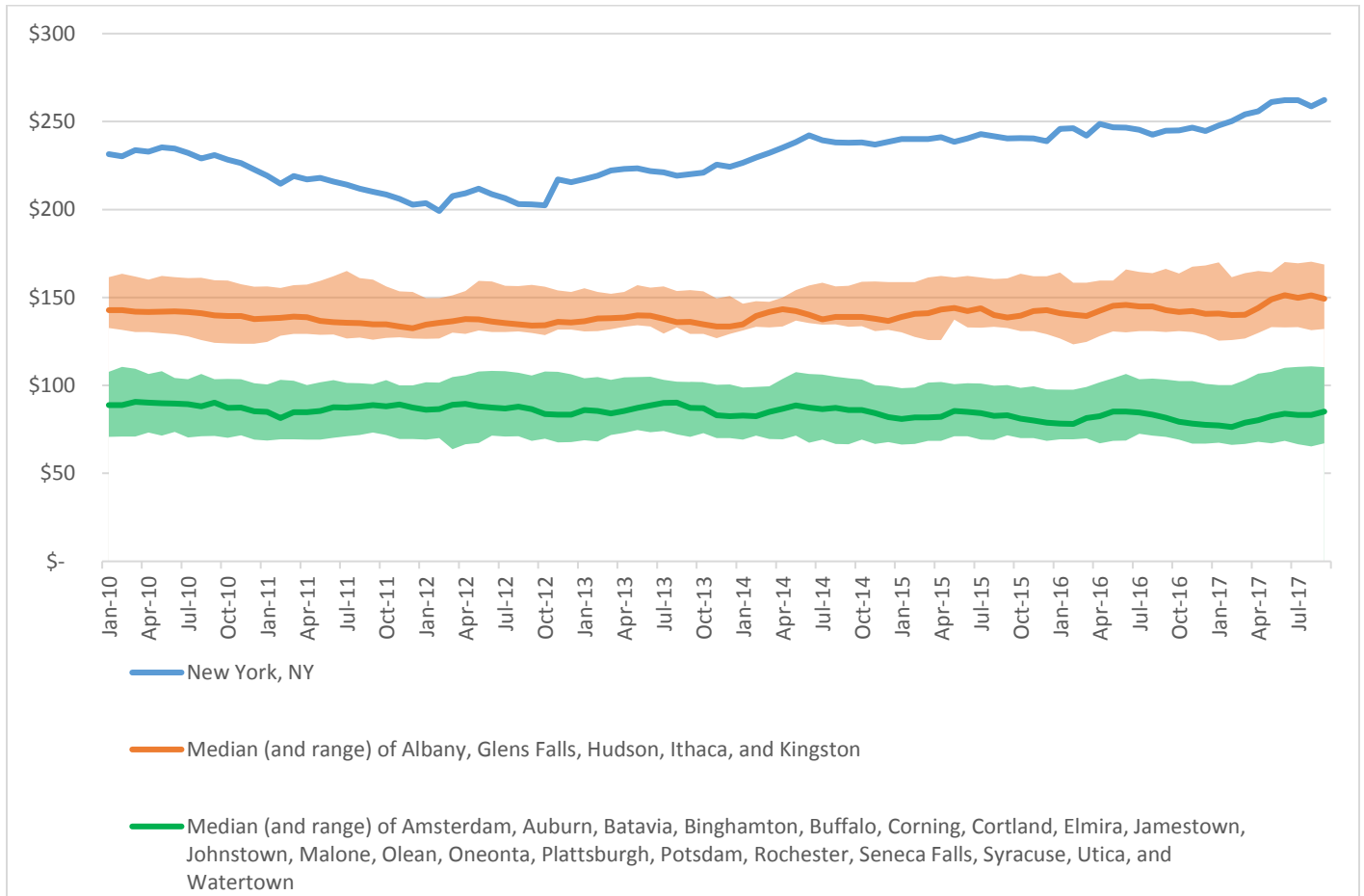
| Annual Expenses | 1 Adult | 1 Adult 1 Child | 1 Adult 2 Children | 1 Adult 3 Children | 2 Adults (1 Working) | 2 Adults (1 Working) 1 Child | 2 Adults (1 Working) 2 Children | 2 Adults (1 Working) 3 Children | 2 Adults | 2 Adults 1 Child | 2 Adults 2 Children | 2 Adults 3 Children |
|---|----------|--------------------|-----------------------|-----------------------|-------------------------|------------------------------------|---------------------------------------|---------------------------------------|----------|---------------------|------------------------|------------------------|
| Food | \$3,464 | \$5,244 | \$7,806 | \$10,314 | \$6,351 | \$8,037 | \$10,321 | \$12,541 | \$6,351 | \$8,037 | \$10,321 | \$12,541 |
| Child Care | \$0 | \$9,967 | \$18,475 | \$26,984 | \$0 | \$0 | \$0 | \$0 | \$0 | \$9,967 | \$18,475 | \$26,984 |
| Medical | \$2,392 | \$6,993 | \$6,706 | \$6,867 | \$5,399 | \$6,706 | \$6,867 | \$6,724 | \$5,399 | \$6,706 | \$6,867 | \$6,724 |
| Housing | \$11,962 | \$15,931 | \$15,931 | \$20,486 | \$13,416 | \$15,931 | \$15,931 | \$20,486 | \$13,416 | \$15,931 | \$15,931 | \$20,486 |
| Transportation | \$3,568 | \$6,775 | \$8,850 | \$9,655 | \$6,775 | \$8,850 | \$9,655 | \$9,687 | \$6,775 | \$8,850 | \$9,655 | \$9,687 |
| Other | \$2,355 | \$3,841 | \$4,625 | \$5,760 | \$3,841 | \$4,625 | \$5,760 | \$5,246 | \$3,841 | \$4,625 | \$5,760 | \$5,246 |
| Required annual income after taxes | \$23,741 | \$48,750 | \$62,393 | \$80,065 | \$35,782 | \$44,149 | \$48,533 | \$54,685 | \$35,782 | \$54,116 | \$67,008 | \$81,669 |
| Annual taxes | \$4,457 | \$9,506 | \$12,261 | \$15,829 | \$6,888 | \$8,577 | \$9,462 | \$10,704 | \$6,888 | \$10,589 | \$13,193 | \$16,156 |
| Living wage: Required annual income before taxes | \$28,198 | \$58,256 | \$74,654 | \$95,894 | \$42,670 | \$52,726 | \$57,995 | \$65,389 | \$42,670 | \$64,705 | \$80,200 | \$97,825 |
| Difference between living wage and poverty wage | \$17,805 | \$43,701 | \$55,931 | \$73,008 | \$28,101 | \$34,008 | \$35,110 | \$38,355 | \$15,101 | \$24,024 | \$29,702 | \$36,442 |
| Difference between living wage and minimum wage | \$9,485 | \$39,541 | \$55,931 | \$77,168 | \$23,941 | \$34,008 | \$39,270 | \$46,675 | \$2,621 | \$13,624 | \$21,382 | \$30,202 |

Source: Living Wage Calculator, FHLBNY calculations

Options are also limited for renters looking to buy

Just like renters, homebuyers face challenges of both affordability and *supply* of units. Harvard University’s annual study found, at a national level, “Single-family construction remains skewed towards larger, more expensive homes. Indeed, the share of small single-family homes (under 1,800 square feet) fell from 37 percent of all completions in 1999 to just 21 percent in 2015. Over this same period, the share of large homes (over 3,000 square feet) nearly doubled from 17 percent to 31 percent.”²² While this trend may be evident across District II, it is most pronounced in New York City. As **Figure 7** below shows, the price-per-square-foot of homes there has increased by over 25% since 2012.²³ Lower-income households must compete over fewer and fewer available homes.

Figure 7: Median listing price per square foot (all homes)



Source: Zillow Data

²² Joint Center for Housing Studies of Harvard University.

²³ Zillow Data (2017), “Median List Price Per Sq Ft (\$)”, http://files.zillowstatic.com/research/public/Metro/Metro_MedianListingPricePerSqft_AllHomes.csv. Additional data available at <https://www.zillow.com/research/data/>.

C. Homelessness, and the risk of homelessness, continues to be a daily crisis

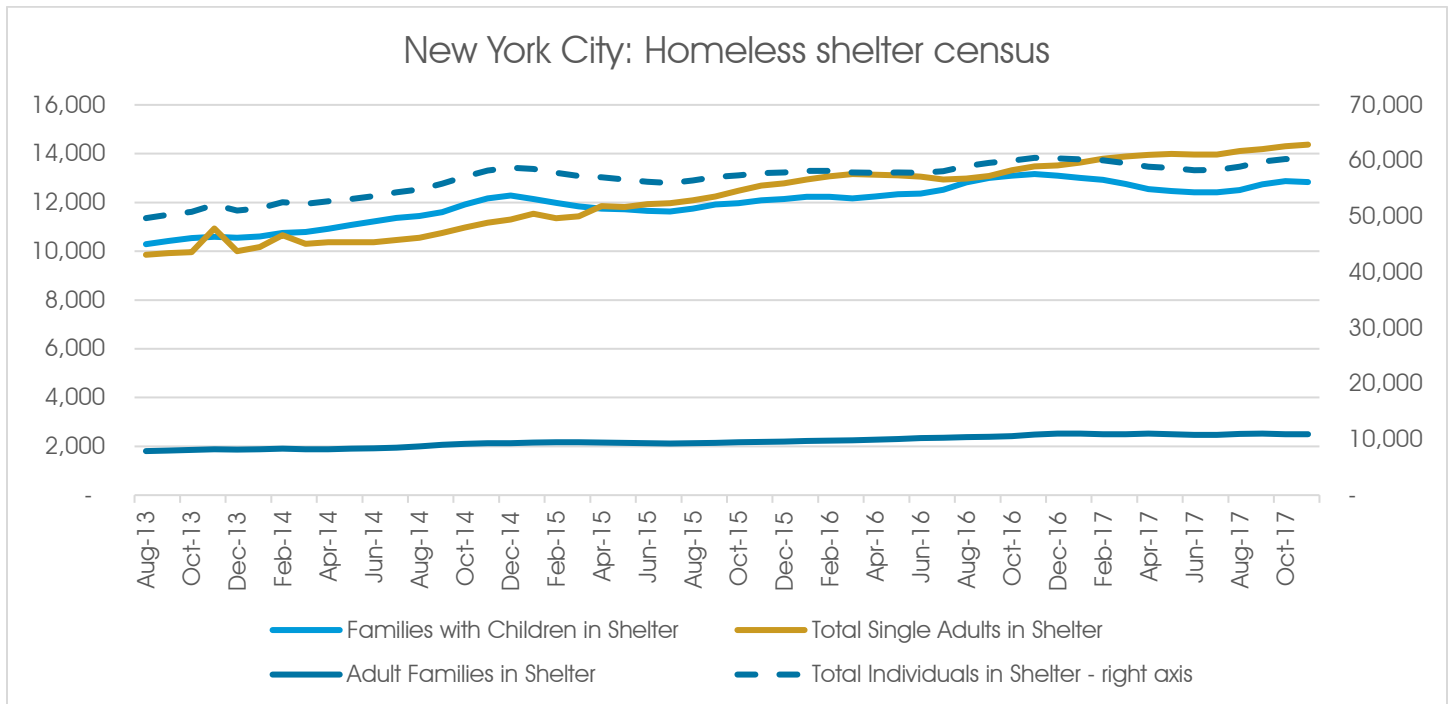
The scale and severity of the homelessness crisis in District II is well documented in the Annual Homeless Assessment Reports, compiled by the Department of Housing and Urban Development from state- and local-level point-in-time counts of homeless individuals and households. The 2017 Community Lending Plan cited figures from the 2016 national report.²⁴ Stakeholders interested in comparisons between District II states and territories and the rest of the United States would be well served by the 2017 national report, when it is made available.²⁵ For the purposes of this Community Lending Plan, however, two particular trends are worth noting:

- » In New York City, families with children should be the face of homelessness, as one in ten children in city schools has been homeless in the past year; and
- » In New Jersey, where the absolute number of homeless individuals and families is lower, policy choices at the state level are pushing more and more vulnerable people over the line into homelessness.

New York City schoolchildren bear the brunt of homelessness

In New York City, overall homelessness continues to rise, as measured by the number of families and individuals in the city shelter system.²⁶ **Figure 8** below shows the average monthly numbers for applications to the shelter system.

Figure 8: New York City homeless shelter population



Source: Department of Homeless Services

²⁴ The U.S. Department of Housing and Urban Development (November 2016), "The 2016 Annual Homeless Assessment Report (AHAR) to Congress," <https://www.hudexchange.info/resource/5178/2016-ahar-part-1-pit-estimates-of-homelessness/>. Previous reports available at <https://www.hudexchange.info/programs/hdx/guides/ahar/#reports>.

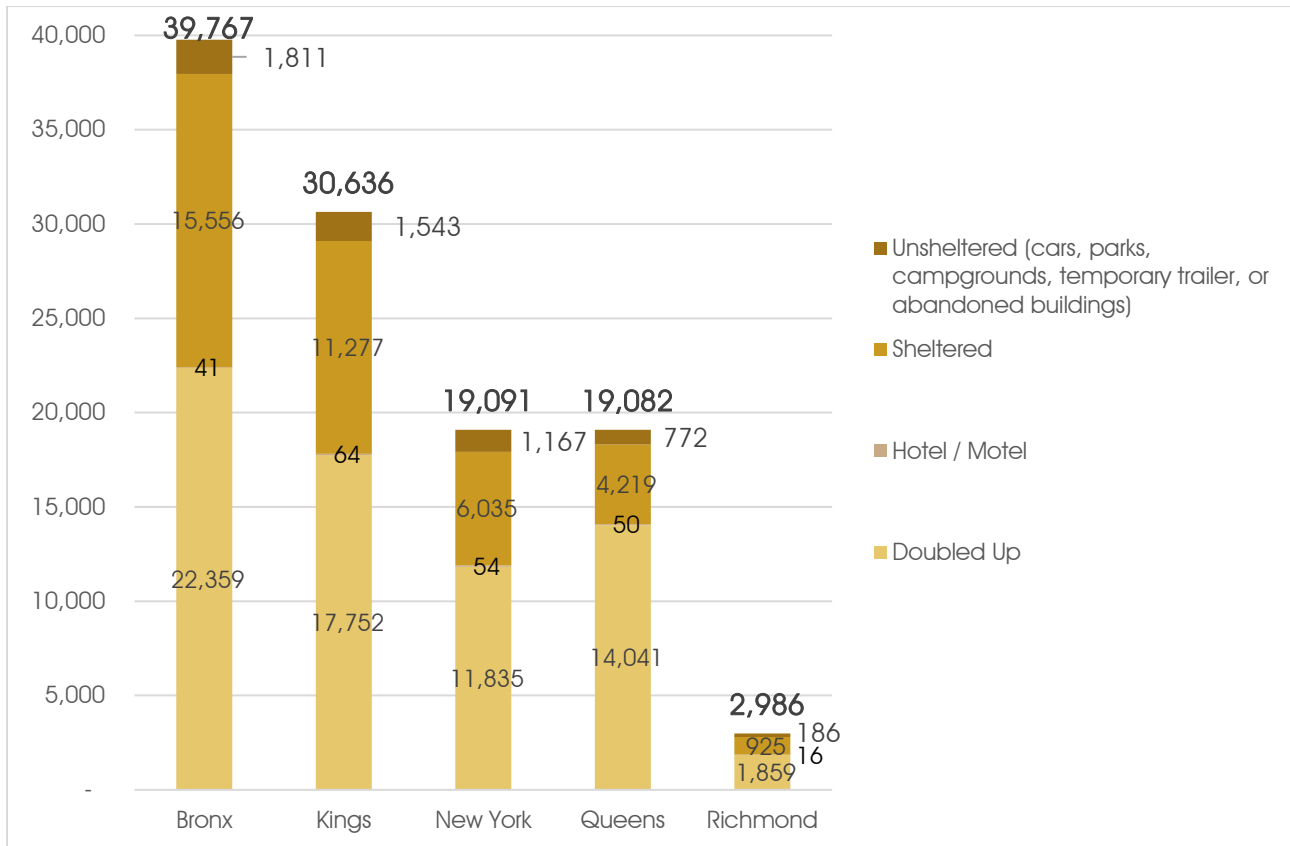
²⁵ The 2017 national report will be released later than in past years, and after the finalization of this Community Lending Plan. See "Schedule and Resources for the 2017 Annual Homeless Assessment Report," <https://www.hudexchange.info/news/schedule-and-resources-for-the-2017-annual-homeless-assessment-report/>. State- and local-level data are, in many cases, already available.

²⁶ Department of Homeless Services (2017), "DHS Homeless Shelter Census," City of New York, <https://data.cityofnewyork.us/Social-Services/DHS-Homeless-Shelter-Census/3pij-ncn9>.

But the most salient statistic on homelessness in New York City comes not from the city’s Department of Homeless Services, but from the state’s Education Department: 10% of public school students in the city were homeless at some point in the 2016-2017 school year. Each year the Education Department collects these data from all districts in the state, as part of the Student Information Repository System.²⁷ Importantly, the figures do not claim a certain number of students are homeless at a given time; that is the subject of the point-in-time counts.

As **Figure 9** below shows, the numbers across the city are staggering.

Figure 9: NYC school children experiencing homelessness, by county, in 2016-2017



Source: New York State Technical and Education Assistance Center for Homeless Students

As the New York Times reported:

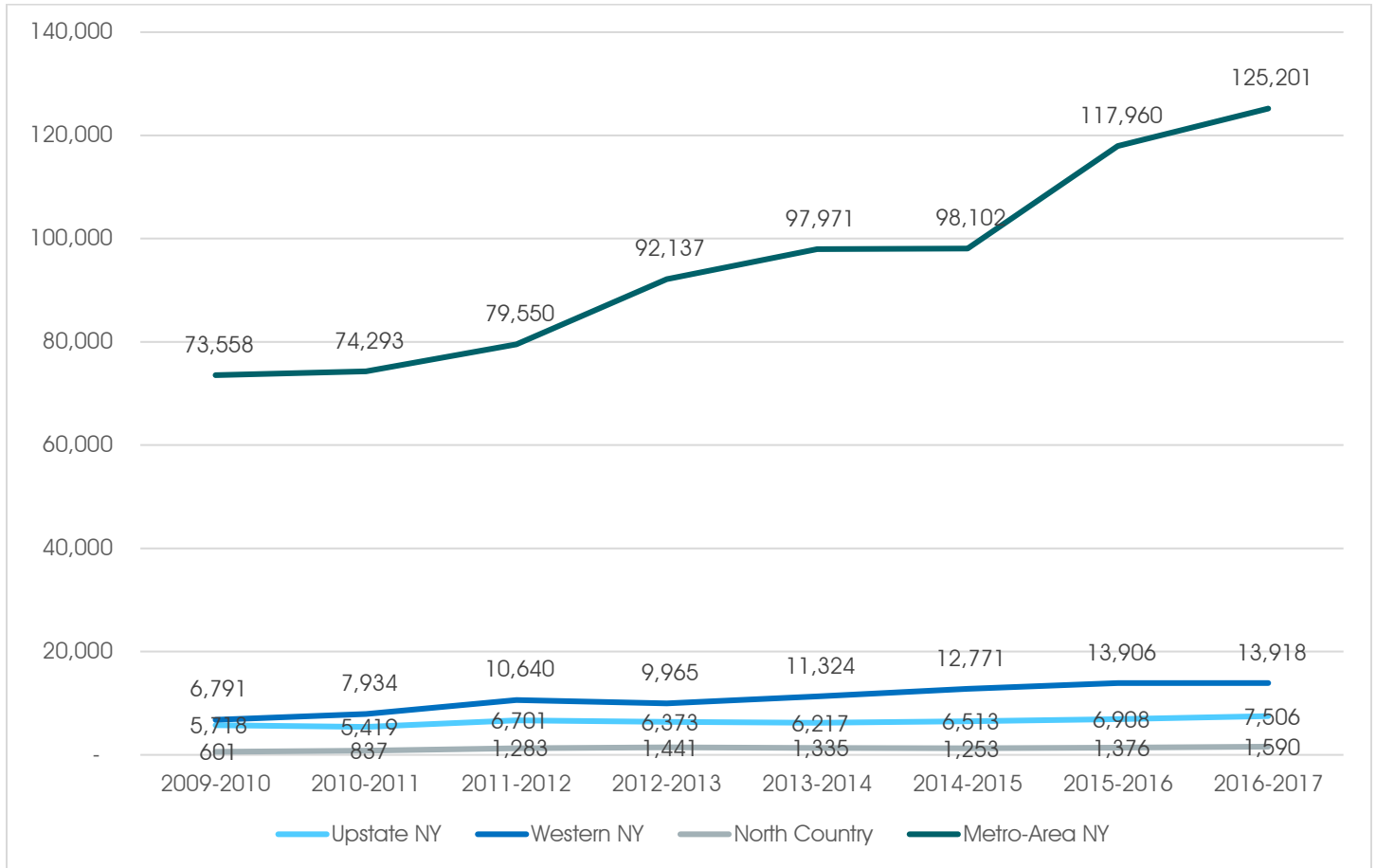
The upheaval in the home lives of students in temporary housing often follows them into school. Many of them frequently change schools as they bounce from one temporary living situation to another. Many are placed in shelters far from their original school, which means they must either transfer midyear or commute long distances each day. Many students regularly arrive late or miss days of school altogether. Those stresses harm their academic performance. A report released this summer by the Institute for Children, Poverty, and Homelessness found that homeless students passed the state English tests at about half the rate as their peers who had permanent homes. Homeless students who were designated as English Language Learners generally took longer to become proficient in the language. On average, the report found that one-third of homeless students miss the equivalent of a month of school. Students living in homeless shelters had the highest rates of chronic absenteeism, meaning they missed more than 10 percent of school days.²⁸

²⁷ See New York State Technical and Education Assistance Center for Homeless Students (2017), "Data Entry in the Student Information Repository System (SIRS) for Students Experiencing Homelessness (Identified under the McKinney-Vento Act)," http://nysteachs.org/media/SIRS_Data_Entry_Students_Experiencing_Homelessness081417.pdf. Data available at <http://nysteachs.org/info-topic/statistics.html>.

²⁸ Elizabeth A. Harris (2017), "10% of New York City Public School Students Were Homeless Last Year," The New York Times, <https://www.nytimes.com/2017/10/10/nyregion/one-in-10-new-york-city-public-school-students-are-homeless.html>.

Figure 10 below compares the numbers for New York City to those of the rest of the state. It should be noted that the trend in Western New York is increasing. FHLB NY staff are actively engaged with stakeholders throughout the state to better understand the challenges in smaller cities and more rural areas, and to ensure that the Bank’s housing programs support the needs of homeless individuals and families beyond the New York City area.

Figure 10: Total reported homeless students in New York districts

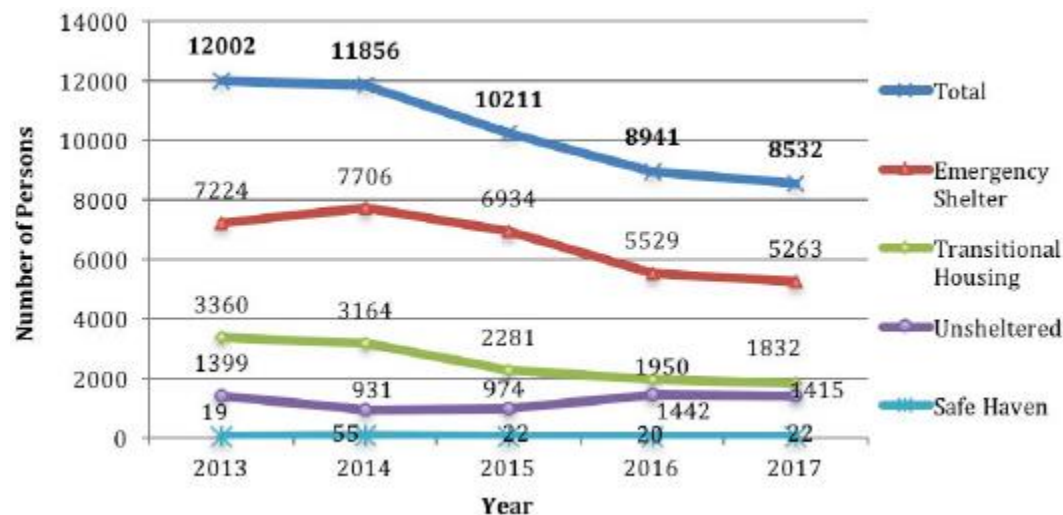


Source: New York State Technical and Education Assistance Center for Homeless Students, FHLB NY calculations

New Jersey slashes emergency assistance as homelessness dips

Two pieces of good news on homelessness in New Jersey: The total number of homeless people fell again this year, and the number itself is very low relative to the figures next door in New York. **Figure 11** below shows the point-in-time count statistics, collected each year by the state in January, over the past five years.²⁹

Figure 11: Five-year comparison of total homeless population in New Jersey by housing situation



Source: Monarch Housing Associates

But this good news masks an underlying trend that has caused concern among homeless housing advocates in New Jersey, including members of the Bank's Affordable Housing Advisory Council. Note that the purple line on the previous graph, indicating unsheltered people, has ticked up since 2015. Renee Koubiadis, the executive director of the Anti-Poverty Network, attributes this to a policy shift by the state to limit funding for its emergency assistance program for the homeless and those at risk of homelessness. Managed by the Division of Family Development in the Department of Human Services, the emergency assistance program helps people pay rent and secure other shelter, pays for their transportation as they search for housing, and pays for moving expenses, among other things.³⁰ Ms. Koubiadis's organization reports that since mid-2015, the state has significantly increased the number of denials for emergency assistance applications.

According to state data³¹, shown in **Figure 12**, the emergency assistance program supports about one-third of the number of families (individuals and couples without children) that it supported in 2013 and 2014. Note that eligibility is limited to 12 months, so the drop in numbers represents fewer new applications being approved³², rather than households losing their assistance during their period of eligibility. New Jersey residents who are homeless or at risk of homelessness are made more vulnerable by these changes.

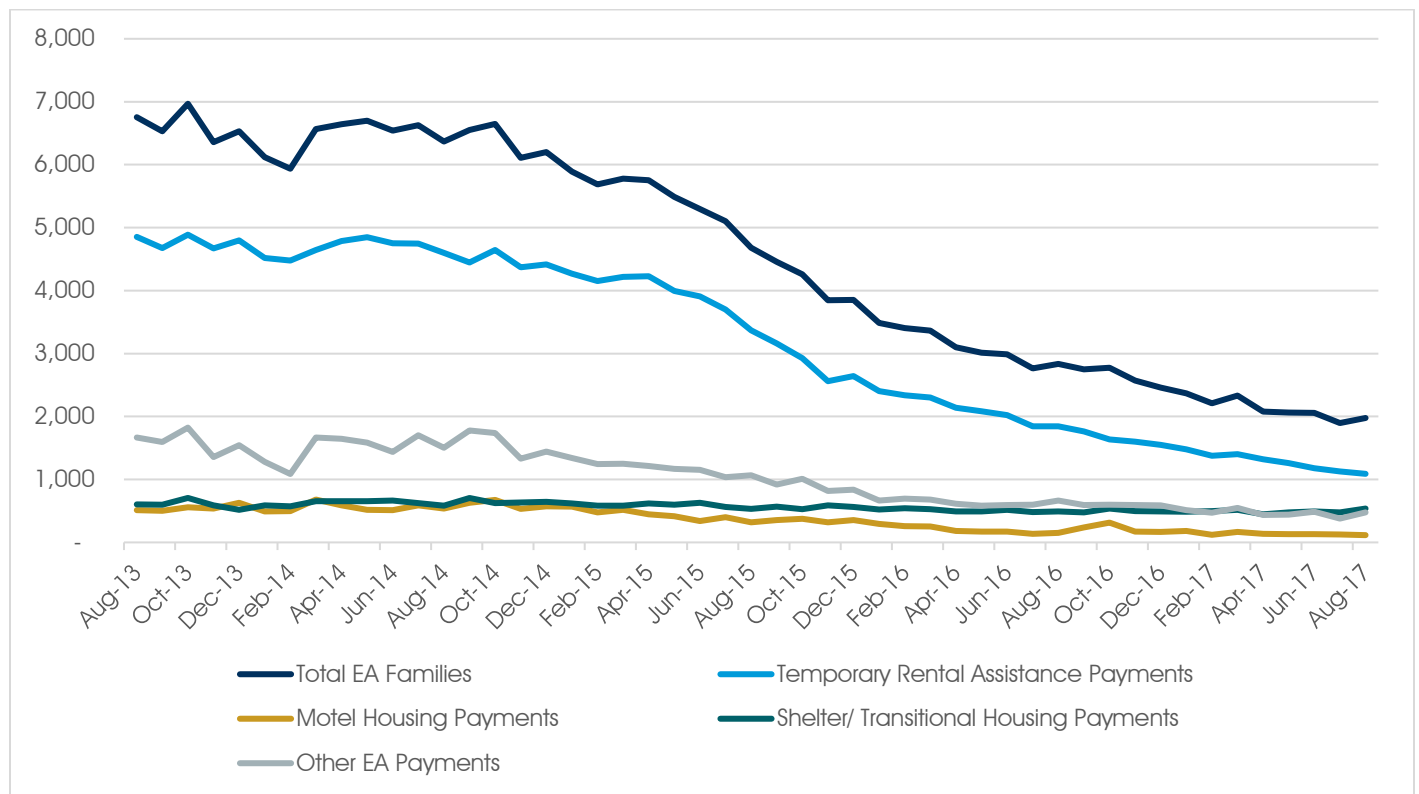
²⁹ Monarch Housing Associates (2017), "New Jersey's 2017 Point-In-Time Count of the Homeless," <https://monarchhousing.org/wp-content/uploads/njcounts17/2017PITReportStatewide.pdf>. County statistics available at <https://monarchhousing.org/endinghomelessness/njcounts/>.

³⁰ See <http://www.state.nj.us/humanservices/cfd/programs/emergency/>.

³¹ Division of Family Development, "DFD Current Program Statistics," <http://www.state.nj.us/humanservices/cfd/news/cps.html>. Monthly data available in PDF format.

³² According to the Anti-Poverty Network, part of the decline can be attributed to closer state scrutiny over emergency assistance applications following an audit by the state comptroller's office. The audit focused on the larger general assistance program, of which emergency assistance is a part. The findings related to the emergency assistance program were minor (10 of 146 cases examined lacked supporting documentation for determining eligibility, and one shelter was found to not be approved by the Division of Family Development), but the findings related to the larger program were more significant. See Marc Larkins (2015), "New York State Technical and Education Assistance Center for Homeless Students," State of New Jersey Office of the State Comptroller, http://nj.gov/comptroller/news/docs/general_assistance_audit_report.pdf.

Figure 12: New Jersey Emergency Assistance statistics



Source: Division of Family Development

The picture of District II going into 2018 is likely comparable to that of many other areas of the country: a generally rising national economy is leaving behind a significant share of the population, which is truly struggling to secure high-quality, affordable housing.

3. Program Changes for 2018

The Bank's aim, as always, is to create and manage programs that truly and meaningfully respond to the district's needs. The present challenges highlighted above served as the basis for transformative decisions about the Bank's portfolio housing and economic development programs.

A. New disaster response programs will supplement the Bank's existing efforts

Hurricanes Maria and Irma made clear that while the Bank and its Board of Directors have a strong will to support the district's communities in times of disaster, the Bank previously lacked a full complement of tools to address the needs on the ground as they evolve. As described in Section 2, the Bank quickly activated its Disaster Relief Funding window for discounted advances to its Members in the affected areas, and it contributed to several immediate relief organizations.

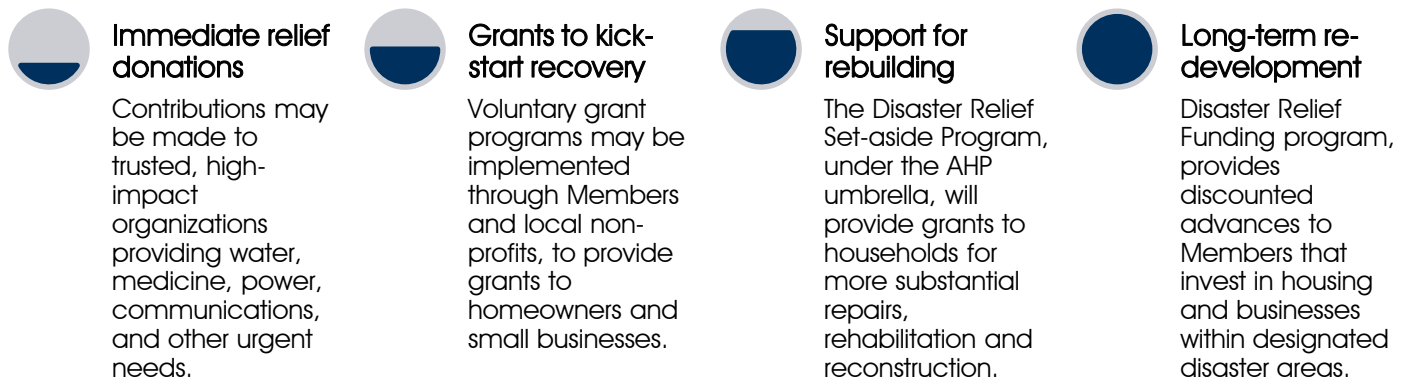
The Bank is in the process of establishing a strategic framework that will provide response options based on the magnitude of the disaster and recovery stages. The Bank is also refining two new targeted programs for the express purpose of supporting the recovery efforts in Puerto Rico and the U.S. Virgin Islands. These voluntary grant programs will assist homeowners and small businesses by helping defray some of the recovery costs that may not be covered by FEMA, insurance or other sources of disaster recovery funds. The grants to homeowners will pay for emergency repairs, permanent repairs and potentially the replacement of essential appliances and furnishings destroyed as a direct result of the disaster. The grants to small businesses will help defray the cost of repairs and replacement of machinery, equipment and inventory destroyed as a direct result of the disaster. Deployment of these two targeted grant programs is anticipated to occur during the first quarter of 2018.

Separately, the Bank is exploring the incorporation of disaster recovery assistance into its Affordable Housing Program, through a new Disaster Relief Set-aside Program. Funding for this new set-aside program would come from the Bank's annual AHP allocation, similar to the funding of the First Home Club set-aside program.³³ This program would provide grants to homeowners solely for rehabilitation, re-construction or replacement of a home that was damaged or destroyed as a direct result of the disaster. In the early months after a disaster event, building supplies and available contractors may be in short supply and the costs may be higher, especially for low-income households. But as more normal services come back online, affected households will be able to make permanent repairs to their homes or rebuild elsewhere within the district.

As the programs are made available, Bank staff will consult with Members and local non-profits on the programs' operations and train their staff on the application processes. When the allocated funds are exhausted, the programs will be deactivated. However, the strategic framework and the disaster response programs developed for the recent disaster will allow the Bank to consider more options and more strategically and comprehensively respond to future disasters within the district. **Figure 13** shows how the tools available to the Bank will complement each other and fit the needs and capabilities of disaster areas over time.

³³ The Federal Home Loan Bank of Pittsburgh has a set-aside program for disaster relief. See Disaster Relief Program Resource Page, <http://www.fhlpgh.com/Files/Resources/Disaster-Relief-2016NS.pdf>.

Figure 13: Bank tools for responding to disasters in the district



B. The competitive AHP in 2018 will give more project types a path to success

In an effort to better understand the housing needs of the our District, Bank staff conducted research on emerging issues, consulted with colleagues at the other Federal Home Loan Banks, solicited input from the Board’s Housing Committee and the AHAC, and reviewed application and scoring trends from previous rounds of the competitive AHP. The changes for the 2018 round are intended to:

1. Create incentives for project sponsors to address the diverse housing needs within in the district;
2. Ensure there are multiple pathways to obtain an AHP commitment so Members, sponsors and stakeholders recognize the program as innovative, coherent, and accessible;
3. Simplify the work of the staff at application and throughout the life-cycle to the extent possible; and
4. Fit within the constraints of the existing technical systems while preserving data and information for future program evaluations.

The full details of the changes are available in the 2018 AHP Implementation Plan. Here it is worth reviewing the primary motivations for the changes. In general, the 2018 round will look different in two ways:

- » It should be easier for smaller projects, likely led by smaller sponsors and smaller Members, to receive commitments; the same should be true for owner-occupied projects³⁴, which have been a small portion of the AHP portfolio in the past; and
- » Projects will be rewarded more so than before for thinking holistically about the impact of housing on residents, through new categories for supportive housing and desirable sites.

In 2017, Bank staff responded to AHAC members and other stakeholders who raised the alarm about so-called “zombie” properties (abandoned during the foreclosure process) in Upstate New York and across New Jersey. Among the solutions local municipalities are employing are the conveyance by public agencies of these properties to local non-profits, typically one property at a time or in small batches. The existing AHP struggled to support this important work. Stakeholders expressed a concern that projects with relatively few units, as well as owner-occupied projects, were at a disadvantage to larger projects and rental projects under the existing scoring criteria. Larger projects are more likely to be led by larger developers, have access to more sources of funding (and be more likely to receive Low Income Housing Tax Credits), and have more resources to devote to staff capacity at every stage of the AHP life cycle.

³⁴ Projects in rural areas, too, as they tend to have fewer units and are more likely to be for owner-occupied housing than are projects in urban areas.

An analysis of AHP data reveals that small projects (defined as having 25 units or fewer) are less common than larger projects among AHP applicants and among projects receiving an AHP commitment.

For the 2018 round, the maximum allowable subsidy per unit will increase from \$30,000 to \$40,000; projects with property conveyed at a significant discount will receive points in the scoring review; projects for owner-occupied housing and small projects will receive extra points; and a project's readiness to proceed will be evaluated in a way that recognizes the order of milestones through which small projects typically proceed. Bank staff will stay on communication with district stakeholders during 2018 to evaluate whether or not the program revisions are helping the AHP better respond to the identified challenges, particularly the zombie property issue.

The Bank also undertook a review of other Federal Home Loan Banks' AHP Implementation Plans and found that many of the competitive programs explicitly support projects that provide supportive housing for residents.³⁵ Several funding sources for affordable housing within District II are persuaded by the need for this specific approach, as well. For example, the New Jersey Housing and Mortgage Finance Agency has a separate cycle for tax credit applications for projects involving supportive housing.³⁶ New York State Homes and Community Renewal awards points for projects serving persons with special needs.³⁷ And New York City's agency does, too.³⁸

Staff from these agencies regularly address conferences and other gatherings in the district together with advocates for supportive housing. These experts and stakeholders are increasingly raising the alarm of overlapping burdens facing many low-income residents: individuals suffering from mental illness and possibly opioid addiction as well, cycling between the shelter system and the criminal justice system, and never getting the sustained help they need.

The AHP scoring review will give extra points to projects that provide supportive housing services to a range of special needs populations. Bank staff are drawing on the experience of the other funding sources, and the competitive AHP may broaden its definitions of special needs and supportive housing as in-house expertise grows. In particular, staff are researching the best approaches for funding projects that provide housing for youth aging out of foster care, an issue that district tax agencies consider but generally group with homeless housing projects.

And staff are seeking better ways to support housing for the district's aging population. In a recent conversation, Rolf Pendall, the co-director of the Urban Institute's Metropolitan Housing and Communities Policy Center, said the need for affordable, high-quality rental housing for seniors is one of the most underappreciated looming housing challenge in the country. This insight was based in part on a study³⁹ he participated in that projected trends in homeownership. He also pointed to studies showing the societal, economic benefits of housing for the elderly and other special needs populations, in the form of reduced emergency-room visits and other healthcare spending.⁴⁰

In another study, Mr. Pendall and his colleagues found the issue of senior housing to be especially pressing in rural areas: "Beyond affordability issues, an even larger number of rural senior households will likely face a mismatch

³⁵ The FHLBs of Cincinnati, Dallas, Des Moines, Indianapolis, Pittsburgh, San Francisco and Topeka all had some kind of special needs or supportive housing scoring category in 2017.

³⁶ New Jersey Housing and Mortgage Finance Agency (March 2017), LOW INCOME HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN, http://www.state.nj.us/dca/hmfa/media/download/tax/qap/tc_qap.pdf.

³⁷ Division of Housing and Community Renewal (November 2013), LOW-INCOME HOUSING CREDIT QUALIFIED ALLOCATION PLAN, <http://www.nyshcr.org/Publications/QAP/LIHC-QAP-2013.pdf>.

³⁸ City of New York Department of Housing Preservation and Development (August 2016), 2016 LOW INCOME HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN, <http://www1.nyc.gov/assets/hpd/downloads/pdf/developers/2016-qualified-allocation-plan.pdf>.

³⁹ Laurie Goodman, Rolf Pendall and Jun Zhu (2015), "Headship and Homeownership: What Does the Future Hold," Urban Institute, <http://www.urban.org/sites/default/files/publication/53671/2000257-Headship-and-Homeownership-What-Does-the-Future-Hold.pdf>.

⁴⁰ Stuart M. Butler, Dayna Bowen Matthew and Marcela Cabello (2017), "Re-balancing medical and social spending to promote health: Increasing state flexibility to improve health through housing," The Brookings Institution, <https://www.brookings.edu/blog/up-front/2017/02/15/re-balancing-medical-and-social-spending-to-promote-health-increasing-state-flexibility-to-improve-health-through-housing/#cancel>. See also Bill Wright, Grace Li, Maggie Weller and Keri Vartanian (2016), "Health in Housing: Exploring the Intersection between Housing and Health Care," The Center for Outcomes Research and Education and Enterprise Community Partners, <https://www.enterprisecommunity.org/download?fid=5703&nid=4247>.

between what they need from their homes and what their homes provide them. Most houses in the United States were not built to accommodate people with mobility limitations, hearing or vision loss, or memory impairments...Home adaptations for safe and comfortable aging are among the most urgent needs currently facing the nation; adapting homes will probably prove among the most cost-effective initiatives we could undertake.”⁴¹

Lastly, there is increasing evidence of the powerful and long-lasting impacts of so-called place-based initiatives.⁴² Like they do for supportive housing, the tax credit agencies in the district already incentivize efforts to create more affordable housing in desirable areas.⁴³ On this issue, 2018 competitive AHP will focus narrowly on whether developers and sponsors are thinking about the larger issue of affordability for their targeted residents, and hence choosing a location that benefits those residents’ economic prospects. The scoring review will give projects points if they are located near public transit and near grocery stores. This differs from some other approaches, including that of the Federal Home Loan Bank of Indianapolis, which look more broadly at what comprises the elements of a community, such as a library, post office, retail, and entertainment venues.

⁴¹ Rolf Pendall, Laurie Goodman, Jun Zhu and Amanda Gold (2016), “The Future of Rural Housing,” Urban Institute, https://www.urban.org/sites/default/files/publication/85101/2000972-the-future-of-rural-housing_6.pdf.

⁴² See <http://www.equality-of-opportunity.org/> and Raj Chetty, Nathaniel Hendren and Lawrence F. Katz (2015), “The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment,” NBER, http://www.equality-of-opportunity.org/images/mto_paper.pdf.

⁴³ New Jersey Housing and Mortgage Finance Agency; Division of Housing and Community Renewal; and City of New York Department of Housing Preservation and Development.

C. The Bank will continue to support first-time homebuyers through a more efficient program

The Bank's set-aside program for first-time homebuyers is unlike the programs at other Federal Home Loan Banks. Whereas other programs disburse grants to households, for down-payment and closing-cost assistance, that are ready to close on their first home, the First Home Club instead supports households that today are just beginning to envisage homeownership. The Bank provides up to four dollars for each dollar saved in a dedicated savings account, resulting in a grant of up to \$7,500 per household. All households must participate in the systematic savings plan with a participating member institution for a minimum of ten months. In addition to requiring a First Home Club savings account, a participating household must participate in a homeownership counseling program, and the Bank provides up to \$500 to cover the cost of counseling.

In many ways, this program has been a great success since it was launched in 1995:

- » 14,043 households across the district have been able to close on their homes because of the Bank's support, as of October 31;
- » Members have invested heavily in the program, creating staff positions and departments to enroll households and promote the program through loan officers; and
- » Non-profit counseling agencies and other community organizations recognize the value of combining classroom learning with real-life financial planning and decision-making.

However, from an operational standpoint, the program is increasingly burdensome for both the Bank's Members and its staff. Members must retain documentation supporting a household's eligibility for the program from the time of the household's enrollment to the time the funds are disbursed, potentially 24 months later. And because the program is directed at households that are not actively looking for a house, the Member is not assured of issuing a mortgage. Over the past five years, 56% of households that enrolled did not receive the match funding from the Bank. These issues make it difficult for the Bank to estimate the program's funding and other resource needs in a given month or year. This in turn limits the Bank's flexibility to change even minor aspects of the existing program or to introduce new programs that would support emerging housing needs in the district.

So the Bank is actively developing a new set-aside program for first-time homebuyers that will lessen these burdens while ensuring the Bank's Members do not lose such a valuable asset for their mortgage businesses. The current First Home Club program will continue in operation through 2018, though Members will be allotted fewer households than in recent years. At the same time, Bank staff will be soliciting input from Members, non-profit counseling agencies and other groups to help define and refine the future program, which is expected to launch in 2019.

4. Planned Strategic Initiatives for 2018

As described previously in this Community Lending Plan, Bank staff will continue engagement with Native American tribes in the district, encourage Members to more fully utilize the Rural Development Advance program, and refine and promote new disaster response programs and a new program for first-time homebuyers. In addition, the Bank will address three cross-cutting themes in its outreach efforts.

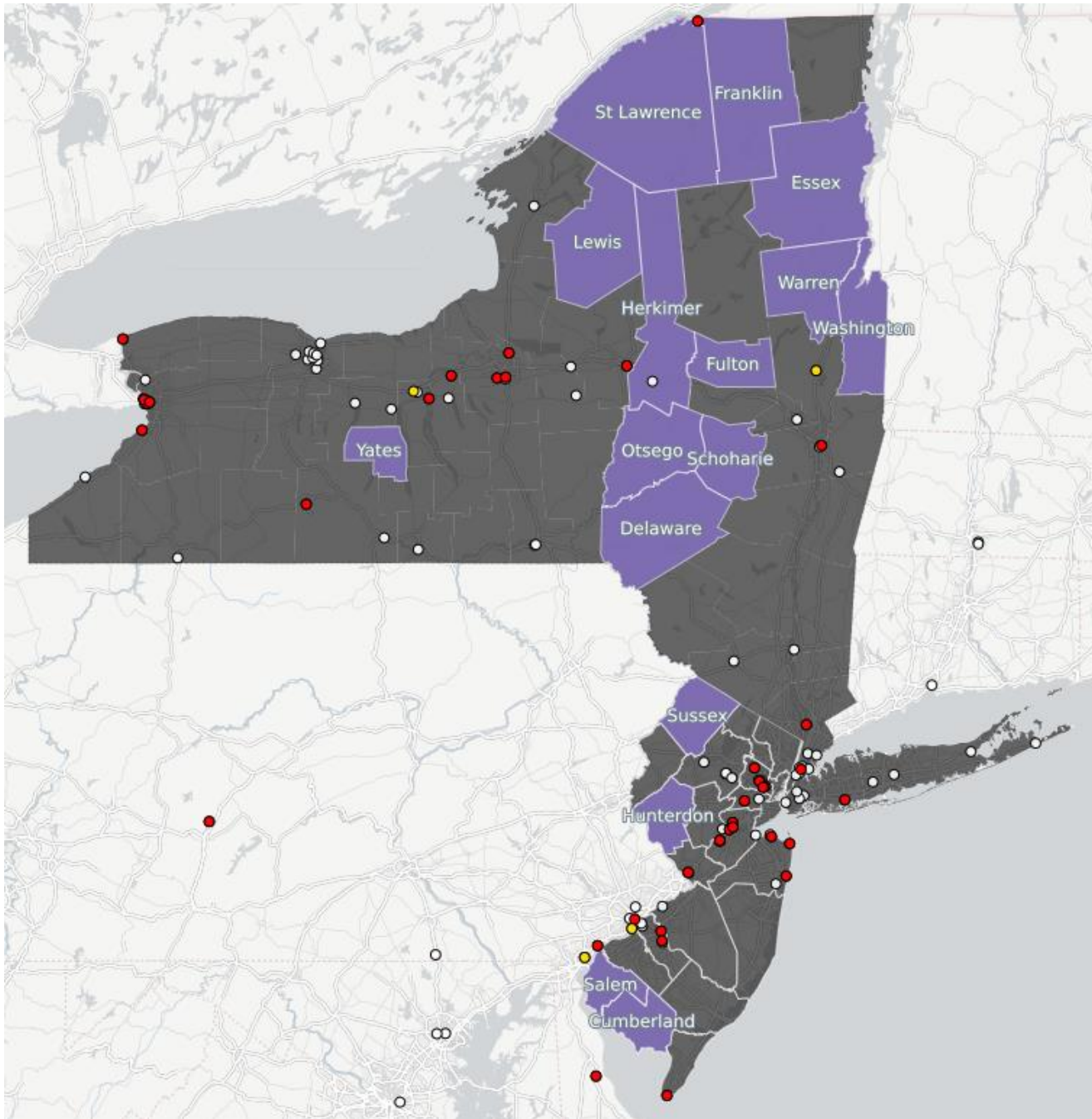
A. Expand lending and grant program participation more broadly across the district

Both the competitive AHP and set-aside First Home Club have, since the programs' inception, supported disproportionately more affordable housing in upstate and western New York than in other regions of the district. (The competitive program has also seen heavy use in the New York City metro area, though not out of line with the population and need there.) Yet, as the evidence presented in this Community Lending Plan makes clear, there are true, deep needs for affordable housing in all corners of the district. Members, non-profit and for-profit developers, and, most of all, households in those low-activity areas need to have a fair chance at accessing the Bank's programs.

As in years past, Bank staff will promote the competitive AHP, the First Home Club, and the Community Lending Programs to new participants. In October 2017, staff held a training session for Members and developers in the North Country region of New York State. This will be the model for the more geographically targeted outreach in 2018.

The Bank used internal program data to generate a list of targeted areas for outreach in New York and New Jersey. (The Bank will invest significant effort in promoting the programs in Puerto Rico and the U.S. Virgin Islands but at this time the Bank's targeted in the territories is identifying ways to support disaster recovery efforts.) Each of the highlighted counties on the map in **Figure 14** is in the lowest quartile for both the number of AHP awards and First Home Club households in its state in the programs' respective histories. In New York State, the targeted counties have each had six or fewer AHP projects and eight or fewer First Home Club households; in New Jersey, these counties have each had zero or one prior AHP project and ten or fewer First Home Club households.

Figure 14: Map of targeted counties for program participation in 2018, with 2017 competitive AHP applications and awards



Purple areas indicate targeted counties; red dots indicate AHP applications receiving a commitment in the 2017 round; yellow dots indicate alternates; and white dots indicate unsuccessful applications.

B. Position the programs to support neighborhood preservation and revitalization efforts

As discussed in Section 3, the competitive AHP will increasingly support projects that create affordable units in desirable areas, following the strong empirical evidence of those projects' impact on residents. The Bank will regularly reevaluate this effort and expand or revise its components and definitions. In the course of developing the initial rules, Bank staff considered some additional components but determined that there was less understanding of the operational needs and less consensus among other funding sources as of today. For example, the academic literature on opportunity areas, cited previously, demonstrates the value of areas with good schools and low crime. The New Jersey Housing and Mortgage Finance Agency rewards projects that are located in school districts that perform well on specific statewide standardized tests. And both New York State Homes and Community Renewal and New York City's Department of Housing Preservation and Development refer to "high performing schools." Yet there does not appear to be a benchmark for good schools that would apply across the district, including in Puerto Rico and the U.S. Virgin Islands.

Alongside this effort, the Bank's programs will seek to support projects that invest in and restore communities in need. A gathering body of research shows that moving to high opportunity areas is not feasible or desirable for everyone. In particular, elderly and disabled residents may rely on a complex web of social services that can most efficiently be provided in a dense urban area, rather than in a higher income suburban environment. And, as NYU's Patrick Sharkey found in studying recipients of housing choice vouchers⁴⁴, poor people often lack the resources and mental bandwidth to evaluate their options for leaving neighborhoods of concentrated poverty, or they may prefer to remain close to their social networks, which provide intangible resources such as job referrals and emergency child-care. Lastly, the work of Dr. Mindy Fullilove, at the New School, demonstrates the value of collaborative efforts to revitalize depressed and abandoned areas.⁴⁵

Several emerging programs in District II are bringing these insights to fruition. In particular, Community Land Trusts (CLTs), which ensure communities' long-term affordability, are increasingly the topic of conference panels and presentations. New York City recently announced plans for a CLT, to be called Interboro⁴⁶; several other CLTs are up and running across New York State, including two led by members of the Bank's AHAC, the Albany Community Land Trust⁴⁷ and the Long Island Housing Partnership⁴⁸; and in New Jersey, Essex County now has a CLT⁴⁹, with others in the works. These initiatives typically ensure affordability by keeping the ownership of the land in a non-profit entity and leasing the land to the homeowners, with a deed restriction limiting the equity the homeowners can receive from a future sale and setting income limits for future purchasers. This long-term planning is in line with the Bank's goals, so staff will seek to better understand the CLT model and its fit with existing Bank programs. Of particular interest are how the governing regulations for the community investment programs would view CLTs, and the interest of the Bank's Members in funding CLTs' development.

Other initiatives of interest include state programs to target concentrated investment in particular cities and towns. New Jersey's Neighborhood Revitalization Tax Credit allocates funding to a select group of cities with state-approved

⁴⁴ Patrick Sharkey (2012), "Residential Mobility and the Reproduction of Unequal Neighborhoods," 44 *Cityscape* 3, https://wagner.nyu.edu/files/faculty/publications/PS_11.pdf.

⁴⁵ See for example Mindy T. Fullilove (2013), *Urban Alchemy: Restoring Joy in America's Sorted-Out Cities*, New Village Press, New York, NY.

⁴⁶ See <https://www.interboroclt.org/> and New York City Housing Preservation and Development (July 19, 2017), "Enterprise awards New York City \$1.65 million to support the formation and expansion of community land trusts," <http://www1.nyc.gov/site/hpd/about/press-releases/2017/07/07-19b-17.page>.

⁴⁷ See <http://www.albanyclt.com/index.html>.

⁴⁸ See <http://www.affordableownership.org/chip/lihp/> and <http://www.lihp.org/>.

⁴⁹ See <http://www.essexclt.org/>.

redevelopment plans.⁵⁰ New York's Downtown Revitalization Initiative recently announced its second cohort of cities for a program that coordinates funding and planning from multiple agencies.⁵¹ And New York's separate Neighborhood Revitalization Program supports homeownership in targeted cities.⁵² Just as with CLTs, Bank staff will seek to better understand these programs and determine if Bank programs could or should better align with their objectives.

The Bank wants to position its programs to support the best practices in the industry, and to ensure that Members are encouraged to develop innovative approaches to their communities' biggest challenges.

C. Create better ways to measure Bank programs' impact on the housing market

In 2010 the Federal Home Loan Bank of Atlanta published a report, led by researchers at the Hendrickson Company and the University of Florida, estimating the economic impact of the competitive AHP in that district.⁵³ The researchers modeled the impact of AHP projects on economic growth, tax revenues and job creation. This study is now being improved upon and replicated across the Federal Home Loan Bank system, with the Atlanta bank's leadership. Reports covering District II should be available in early 2018.

The 2010 Atlanta study assumed that projects receiving AHP funding would fall through without that funding — i.e. that AHP funding was irreplaceable for the projects in the Atlanta district. Hence the impact of the program is equivalent to the impact of the new construction and rehabilitation projects that the program funded. With federal government commitment to affordable housing, and to the low-income tax credit program in particular, uncertain, the assumption in the Atlanta study seems increasingly reasonable. Developers in District II report that the competitive AHP is among the dwindling number of remaining funding sources.

Even if this is the case, the Bank needs to better understand the mechanisms through which its decisions shape the market. This is crucial to designing programs and rules to best support the Bank's housing and community development mission.

In another recent, rigorous study, researchers from NYU's Furman Center found that the criteria state agencies use to allocate low income housing tax credits does have an impact on where projects receiving these credits are located.⁵⁴ However, the authors did not determine if developers were changing their decision-making on most projects, or if instead they were holding some projects out of the pool of applications for tax credits and funding those projects in other ways. In other words, the study did not conclude that the criteria shifted the affordable housing market overall.

So in 2018 the Bank will begin a parallel effort to the system-wide study, partnering with industry experts, affordable housing developers and investors in the district. Bank staff will conduct a collaborative process to establish key research goals and develop a plan for study. This research may take the form of a one-off report, or it may be more informal and consist of regular interviews or focus groups with relevant decision-makers. At all stages the effort will be guided by the objective of improving the evidence with which the Bank makes decisions on community investment programs.

These cross-cutting efforts are intended last beyond 2018 and to ensure the continued relevance and value of the Bank's housing and economic development programs to the Bank's members and the communities they serve.

⁵⁰ See <http://www.nj.gov/dca/divisions/dhcr/offices/nrtc.html>.

⁵¹ See <https://www.ny.gov/programs/downtown-revitalization-initiative>.

⁵² See <http://www.nyshcr.org/Topics/Home/Buyers/SONYMA/SONYMA-NRP.htm>.

⁵³ The Hendrickson Company and The Shimberg Center for Housing Studies, University of Florida (2010), "Beyond Units: Economic Benefits of Federal Home Loan Bank of Atlanta's Affordable Housing Program," Federal Home Loan Bank of Atlanta, <http://www.fhlbatl.com/multiplier/beyondunits.pdf>.

⁵⁴ Ingrid Gould Ellen, Keren Horn, Yiwen Kuai, Roman Pazuniak, and Michael David Williams (2015), "Effect of QAP Incentives on the Location of LIHTC Properties," U.S. Department of Housing and Urban Development, Office of Policy Development and Research, <http://furmancenter.org/research/publication/effect-of-qap-incentives-on-the-location-of-lihtc-properties>.

5. Quantitative Goals for Community Lending Programs

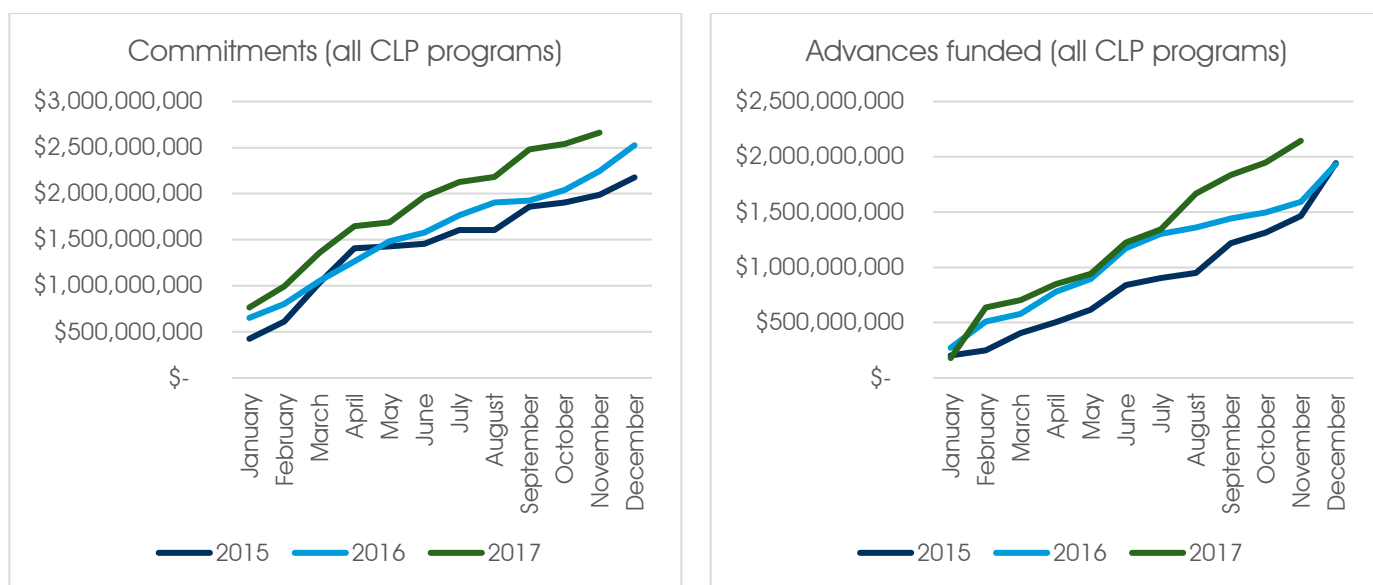
From year to year the balances across the three community lending programs, CIP (“Community Investment Program”), UDA (“Urban Development Advance”) and RDA (“Rural Development Advance”) shift depending on the lending activity of members. This section establishes the overall targeted performance goal for these three programs.

As of November 30, 2017, the Bank approved \$1.2 billion in CIP applications, flat with the \$1.2 billion in the year 2016 and near the \$1.4 billion level from 2015. Members drew down \$1.1 billion in CIP advances, again as of November 30, 2017, up from \$870 million in 2016 but near the \$1.2 billion in 2015.

As of November 30, 2017, the Bank approved \$1.5 billion in UDA applications, an increase over the \$1.3 billion in 2016, and over the \$746 million in applications approved in 2015. The RDA program has issued \$24 million in commitments as of November 30, 2017, compared with \$26 million in 2016 and \$20 million in 2015. The UDA and RDA programs support community and economic development lending activity.

Figure 15 below shows how the seasonality of commitments and advances funded has remained consistent from 2015-2017:

Figure 15: CLP activity (2015-Nov. 30, 2017)



Whereas in 2017 the Bank set community lending goals for commitments issued, the actual advances funded is a better measure of the program’s utilization and its impact on the communities served by the Bank’s Members. Hence for 2018, the Bank proposes to fund **\$1.9 billion overall in Community Lending Plan advances**. This goal recognizes the limit on CLP advances established by the Bank’s Board of Directors, while establishing an incentive for Bank staff to actively promote the programs to Members, particularly in geographical areas with less historical usage.

A. Additional resources for market information

- Aurand, Andrew; Dan Emmanuel; Diane Yentel and Ellen Errico (2017), "The Gap: A Shortage of Affordable Homes," The National Low Income Housing Coalition, available at http://nlihc.org/sites/default/files/Gap-Report_2017.pdf.
- Gould Ellen, Ingrid and Max Weselcouch (2015), "Housing, Neighborhoods, and Opportunity: The Location of New York City's Subsidized Affordable Housing," NYU Furman Center, available at <http://furmancenter.org/research/publication/housing-neighborhoods-and-opportunity-the-location-of-new-york-citys-subsid>.
- Hoyt Advisory Services, Dinn Focused Marketing, Inc., and Whitegate Real Estate Advisors, LLC (2017), "U.S. Apartment Demand – A Forward Look," National Multifamily Housing Council and National Apartment Association, available at <https://www.naahq.org/sites/default/files/naa-documents/government-affairs/naa-nmhc-us-apartment-demand-a-forward-look-may-2017.pdf>.
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- Li, Wei; Bing Bai; Laurie Goodman and Jun Zhu (2016), NeighborWorks America's Homeownership Education and Counseling: Who Receives It and Is It Effective?," Urban Institute, available at <https://www.urban.org/sites/default/files/2000950-neighborworks-americas-homeownership-education-and-counseling-who-receives-it-and-is-it-effective.pdf>.
- Moriarty, Shannon and Stephanie Rosoff, project directors (2017), "State of New York City's Housing and Neighborhoods in 2016," NYU Furman Center, available at <http://furmancenter.org/research/sonychan>.
- New York City Department of Homeless Services (2017), "NYC Homeless Outreach Population Estimate (HOPE)," available at <https://www1.nyc.gov/assets/dhs/downloads/pdf/hope-2017-results.pdf>.
- StreetEasy (2017), "The Widening Gap: Rents and Wages in New York City," available at <https://wp.zillowstatic.com/streeteasy/2/2017-StreetEasy-Rent-Affordability-Report-467583.pdf>.

B. Description of FHLBNY Programs

Affordable Housing Program (“AHP”)

Created by Congress in 1989, the AHP provides subsidies to assist financial institutions in supporting the creation and preservation of housing for very-low, low, and moderate-income families and individuals. AHP funds are awarded to Bank members that submit applications on behalf of project sponsors that are planning to purchase, rehabilitate, or construct affordable homes or apartments. Funds are awarded through a competitive process which typically takes place either once or twice a year, at the FHLBNY’s discretion.

First Home Club Program (“FHC”)

The First Home Club was developed by the Home Loan Bank to help provide added financial incentive for savings toward homeownership for low- and moderate-income, first-time homebuyers. The Bank will provide up to four dollars for each dollar saved in a dedicated savings account, resulting in a grant of up to \$7,500 per household. All households must participate in the systematic savings plan with a participating member institution for a minimum of ten months. In addition to requiring a First Home Club savings account, a participating household must participate in a homeownership counseling program. The Bank will also provide up to \$500 to cover the cost of counseling. To help contain the demand for this program within available funding means, household enrollment caps at the member and program level were initiated in 2015.

Community Lending Programs (“CLP”)

The Urban Development Advance (“UDA”) and the Rural Development Advance (“RDA”) programs serve as funding sources specifically for community lending and economic development activities. The UDA provides financing for economic development projects or programs in urban areas (area population of greater than 25,000), benefitting individuals or families in areas where the tract area median income (“AMI”) is at or below 100% of the overall area median income level. The RDA provides financing for economic development projects or programs in rural areas (area population of 25,000 or less), benefitting individuals or families in areas where the tract AMI is at or below 115% of the overall area median income level. These programs offer low-cost advance rates and are available on a daily basis.

The majority of UDA Program applications approved by the Bank are “Program Specific”, in which a Member will apply for a UDA “credit line” amount and then will periodically submit lists of qualified loans, made anywhere within their lending footprint, and draw down on their approved UDA application. However, the Bank occasionally receives a request for a “Project Specific” UDA. In such cases, the member utilizes the UDA to directly fund a specific eligible transaction.

The Community Investment Program provides discounted rate advances for housing related activities for households whose incomes do not exceed 115% of the area median income. The Bank offers CIP funds as an incentive to its members for originating community investment financing. CIP funds may benefit Member banks by providing discounted funds, enhancing Community Reinvestment Act performance, enhancing profitability, and improving community and public relations.

Letters of Credit

The Bank’s Letter of Credit (“LOC”) product supports community development by reducing transaction cost and enhancing the marketability of various bond issuances.