

# Building Blocks

A Publication of the Federal Housing Finance Board



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## Reduces Regulatory Burden

### Proposed AHP Changes Emphasize Flexibility, Community Involvement

The Federal Housing Finance Board has proposed revisions to the Federal Home Loan Bank System's Affordable Housing Program (AHP) regulations, aimed at increasing the program's effectiveness. The proposed rule would reduce regulatory burden by transferring more operational authority to the FHLBanks, streamlining procedures, and clarifying standards.

The proposed rule is designed to build upon the flexibility and local community interaction that have made the AHP a model in housing finance. Since its inception in 1990, the AHP has provided \$468.5 million to help finance 120,252 housing units, with more than two-thirds (68 percent) of the units targeted for very-low-income households.

"The Affordable Housing Program has proven to be an effective means of providing housing opportunity for people who really need a helping hand," said Finance Board Chairman Bruce A. Morrison. "The proposed changes will move AHP to an even higher level of success. With less red tape

and increased autonomy, the FHLBanks and their members will have more flexibility to respond to local affordable housing needs."

Many of the changes in the proposed rule codify practices developed by the FHLBanks in implementing the AHP over the past 6 years.

(A summary comparing the existing AHP regulation with the proposed regulation is available by contacting Roberta L. Youmans, Room 319, Federal Housing Finance Board, 1777 F Street NW, Washington, D.C. 20006, or by calling (202) 408-2581.)

The proposed changes also should make the AHP more responsive to low- and moderate-income housing needs in each FHLBank district, increase efficiency in the administration of the AHP, and enhance coordination of the

AHP with other housing programs whose funds are used in conjunction with AHP subsidies.

Significant proposed changes in the rule would:

- **Transfer** the authority to approve AHP applications from the Finance Board to the FHLBanks as part of the Finance Board's continuing effort to devolve management and governance authority to the FHLBanks.

- **Streamline and decentralize** the competitive scoring process. The proposed rule carries forward the existing regulatory framework (See AHP, page 2)

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governing scoring of AHP applications, but with revisions based on a new allocation of points among revised scoring categories. and additional discretion provided to the FHLBanks, including the addition of a new FHLBank district scoring priority.

- **Reduce** the overall monitoring burden by establishing clear, uniform procedures and standards and eliminating certain requirements. This change creates procedures and standards for monitoring approved AHP projects for AHP compliance that take into account the costs of monitoring relative to the benefits and that reduce the overall monitoring burden, including eliminating the annual certification requirement for

FHLBank members under the existing AHP regulation.

- **Establish thresholds** for the long-term retention of AHP-assisted housing projects. The proposed regulation establishes minimum *threshold* retention periods of 5 years for AHP-assisted owner-occupied housing, and 15 years for AHP-assisted rental housing. These minimum retention periods will result in a reduction in the number of years that projects must be monitored for AHP compliance.

- **Clarify and expand** the range of remedial actions FHLBanks can take to recover unused or improperly used subsidies. In addition, the proposed regulation tailors the remedial action

to be taken to the nature of the noncompliance and to the party committing the noncompliance.

The rule provides a 90-day comment period until February 6, 1997. Complete text of the proposed rule was published in the Federal Register/ Vol. 61 No. 218/Friday, November 8, 1996/ 57799.

Comments on the proposed rule should be mailed to Elaine L. Baker, Federal Housing Finance Board, 1777 F Street, NW, Washington, D.C. **20006**. Comments will be available for public inspection at this address.

For additional information contact Charles E. McLean, Deputy Director, Housing and Community Development, at (202) 408-2537. □

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## **\$50 Million Pilot Effort**

# **FHLBank of Atlanta Approved for Multifamily Participation Purchases**

The Federal Housing Finance Board approved on October 15 the establishment of a partnership between the FHLBank of Atlanta and the Community Investment Corporation of North Carolina (CICNC) aimed at increasing the supply of affordable multifamily housing in North Carolina.

The FHLBank of Atlanta developed the Affordable Multifamily Participation Program (AMPP) in response to requests from CICNC members needing liquidity to fund additional affordable-housing projects in North Carolina. The AMPP satisfies the request and encourages community-based lenders to support affordable multifamily housing.

Under the AMPP, the Atlanta FHLBank will purchase participation interests in affordable multifamily housing loans originated by the CICNC membership. Funds received by CICNC members from the sale of participation interests will give those institutions the ability to participate in new projects. Also, in the case of new projects not fully subscribed by CICNC members, the Atlanta FHLBank would participate to the extent necessary for full project funding.

The AMPP is a \$50 million pilot program. A majority of the housing units in the multifamily projects financed by the program will be earmarked for families with income levels no higher than 60 percent of

area median income.

"The Finance Board encourages the FHLBanks to develop or participate in programs that further the housing finance mission of the Federal Home Loan Bank System." said Finance Board Chairman Bruce A. Morrison. "This cooperative effort by the FHLBank of Atlanta with CICNC and its members builds on our efforts to find new and innovative way to increase housing opportunity for low-income families, by increasing the flow of funds through housing loan consortia."

The CICNC, created by the Community Bankers Association of North Carolina in 1990, is an affordable housing consortium that (See **ATLANTA**, page 5)

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# Finance Board Proposes Streamlining Community Support Program Rules

The Federal Housing Finance Board published on November 7 proposed revisions to the Community Support Program (CSP) that would institute uniform performance standards to be met by all Federal Home Loan Bank System members -- including, for the first time, credit unions and insurance companies -- and streamline the review process.

The proposed regulation established two standards the Finance Board must apply in evaluating community support performance -- a CRA factor and a first-time homebuyer factor. Members not subject to CRA need meet only the first-time homebuyer standard. Members that do not comply with one or both performance standards will be denied access to long-term advances.

The Finance Board also proposes to simplify and speed up the review process through the use of a one-page Community Support Statement, to be submitted directly to the Finance Board. The proposed Community Support Statement, requires a member subject to the CRA to submit its most recent federal CRA rating and the date of the evaluation (CRA factor). It also requires all members, including credit unions and insurance companies, to document services to first-time homebuyers (first-time homebuyers factor).

"These proposed changes will reduce the regulatory burden of the FHLBank System members rated in the Community Support Program," said Finance Board Chairman Bruce A. Morrison "They will also give

us more information about the mission-related activities of all the System members."

Members can meet the CRA performance standard by receiving "outstanding .. or "satisfactory" CRA ratings from their regulators. Those members with "Needs to Improve" CRA ratings will be placed on probation for 1 year, with no restrictions on access to

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## "These proposed changes will reduce the regulatory burden of the FHLBank System"

Bruce A. Morrison, FHFB Chairman

FHLBank long-term advances. A member that fails to improve its rating within a year and those members with CRA ratings of "Substantial Noncompliance," will be denied access to long-term advances and participation in the AHP and the CIP.

Members can satisfy the first-time homebuyer performance standard by submitting satisfactory evidence of actual loans made or participation in programs that serve first-time homebuyers. Members with inadequate first-time homebuyer performance will be placed on 1-year probation, but must meet the standard within that time or they will be prohibited from

receiving long-term advances and from participating in the AHP and CIP. Members that fail to provide in their Community Support Statements any evidence of assistance to first-time homebuyers will be restricted from access to long-term advances and from participating in the AHP and CIP.

The proposed rule retains the requirement that the FHLBanks notify interested parties when members are selected for community support review and the requirement that each FHLBank maintain a Community Support Program in its district. These programs provide technical assistance to members, promote the use of advances for community lending and identify opportunities for member involvement in underserved communities.

However, the requirement that each FHLBank produce two reports each year on AHP,CIP and other FHLBank activities has been reduced to one report each year.

The current rule allows members to apply to the Finance Board for reinstatement of their access to long-term advances only after 180 days have elapsed, unless there are safety and soundness issues. Since the primary purpose for imposing any restrictions on access to advances is to encourage members to comply with the community support regulation, the Finance Board believes restrictions should be removed as soon as a member is in full compliance with the regulatory requirements. Therefore, under the proposed rule, the Finance Board, in its sole

(See **CSP**, Page 5)

**Bank Enterprise Act Program**

**38 Banks and Thrifts Receive \$13.1 Million in Grants**

The Treasury Department has awarded \$13.1 million in grants to **38** banks and thrifts under the Bank Enterprise Act (BEA) to help the financial institutions support community development initiatives in their communities.

The awards, announced in Washington on October 1, go to banks and thrifts in 18 states and the District of Columbia, and 20 of the recipients are members of the Federal Home Loan Bank System.

The grants leveraged nearly \$66

million in private-sector investment and other financial support from banks and thrifts to Community Development Financial Institutions (CDFIs). In addition, another \$60 million in total direct lending and services was generated from banks and thrifts within distressed neighborhoods.

"Bank Enterprise Act awards create a unique opportunity to forge partnerships between conventional lenders and CDFIs," Treasury Secretary Robert E. Rubin said in prepared remarks. "These partnerships will increase the flow of credit to create jobs and growth in low-income communities."

The CDFI Act of 1994 established the BEA Program to encourage insured depository institutions to make investments in CDFIs and increase loans and services within distressed communities. The BEA Program is administered by the CDFI Fund, which also administers the CDFI Program. The CDFI Fund, which is part of the Department of the Treasury, was created to support the creation of a national network of financial institutions dedicated to community development.

Grants from the BEA Program ranged in size from \$2.7 million going to Chase Manhattan Bank in New York City to \$3,750 to Stock Yards Bank and Trust Company in Louisville, Kentucky.

For more information on the BEA Program and the CDFI Fund, contact Bill Luecht at the CDFI Fund at (202) 622-8662.

**BEA Program Awardees**

<i>Applicant's Name</i>	<i>City/State</i>	<i>Award</i>
Bank of America Community Development Bank	Walnut Creek CA	\$1,585,510
Bank of America Illinois	Chicago IL	\$514,815
Bank of America, F.S.B.	Portland OR	\$521,735
Bank of Louisville	Louisville KY	\$15,000
Central Bank of Kansas City	Kansas City MO	\$99,869
Chase Manhattan Bank	New York NY	\$2,699,625
Citibank F.S.B. California Marketplace	San Francisco CA	\$412,270
Citibank N.A.	New York NY	\$227,250
City National Bank of New Jersey	Newark NJ	\$162,065
Coast Federal Bank	West Hills CA	\$149,709
Cole Taylor Bank	Wheeling IL	\$115,500
Community Capital Bank	Brooklyn NY	\$215,461
Wells Fargo of Texas, N.A.	Houston TX	\$97,500
First National Bank of Chicago	Chicago IL	\$322,230
First National Bank of Maryland	Baltimore MD	\$50,000
First Union National Bank of D.C.	Washington DC	\$274,550
Fullerton Savings & Loan Association	Fullerton CA	\$39,600
Gateway National Bank of St. Louis	St. Louis MO	\$78,116
Great Financial Corporation	Louisville KY	\$22,500

(See **AWARDS**, page 5)

(ATLANTA, from page 3)

facilitates the availability of long-term, permanent financing for the development of low- and moderate-income housing throughout the state. CICNC's membership consists of 90 thrifts and commercial banks, 78 of which are members of the FHLBank of Atlanta. With \$310 billion in assets, CICNC's membership consists primarily of smaller financial institutions -- 77 percent of whom have assets under \$250 million. All of the banks and thrifts located in North Carolina are CICNC members.

The consortium provides construction/rehabilitation bridge financing and long-term funding for affordable multifamily housing projects. In its 6-year history, CICNC has funded or committed to fund approximately \$45 million for 53 housing projects, producing 2,645 units of affordable housing.

The Finance Board approved the FHLBank's proposal after finding that it satisfies criteria in the Finance Board's Financial Management Policy, which governs new housing and community development-related investment

activities by FHLBanks. The Board believes that the program represents an attractive new avenue through which the FHLBank of Atlanta can further its housing mission by expanding its support for low-income housing, in partnership with its members, while maintaining its low-risk profile.

Prior to the FHLBank of Atlanta's implementation of the AMPP, the Finance Board will conduct an on-site examination of the pilot program to ensure that appropriate policies, procedures and controls have been established.

For more information on the AMPP, contact Robert Warwick, Community Investment Officer, FHLBank of Atlanta, at (404) 888-8435.

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<i>Applicant's Name</i>	<i>City/State</i>	<i>Award</i>
Hibernia National Bank	New Orleans LA	\$5,875
Household Bank, F.S.B.	Bloomington IL	\$88,090
Key Bank of Maine	Portland ME	\$37,500
National City Bank	Columbus OH	\$275,000
National City Bank, Kentucky	Louisville KY	\$37,500
NationsBank, N.A	Charlotte NC	\$1,614,690
NationsBank, N.A. (South)	Atlanta GA	\$1,199,275
NationsBank, Texas	Dallas TX	\$1,036,035
North Shore Bank, F.S.B.	Brookfield WI	\$6,036
Northern Trust Company	Chicago IL	\$93,713
Northwest Bank	Oklahoma City OK	\$3,918
Norwest Bank New Mexico N.A	Albuquerque NM	\$5,750
PNC Bank, Kentucky, Inc.	Louisville KY	\$75,000
Regency Savings Bank, FSB	Naperville IL	\$77,250
Republic National Bank	New York NY	\$519,659
St. Frances Bank, F.S.B.	Milwaukee WI	\$1,149,859
Stock Yards Bank & Trust Company	Louisville KY	\$3,750
Troy Savings Bank	Troy NY	\$389,859
Vine Street Trust Company	Lexington KY	\$55,000

(CSP, from page 3)

discretion, may remove a restriction on a member's access to long-term advances under two circumstances: first, if it determines that application of the restriction may adversely affect the safety-and soundness of the member; second, if it determines that the member subsequently has complied with the requirements.

The proposed rule provides for a 60-day comment period ending January 27, 1997, and was published in the Federal Register/Vol. 61, No. 230/Wednesday, November 27, 1996/60229.

Comment on the proposed rule should be mailed to Elaine L. Baker, Executive Secretariat, Federal Housing Finance Board, 1777 F Street NW, Washington, D.C. 20006. Comments will be available for public inspection at this address.

For additional information, contact Penny S. Bates, Office of Supervision, at (202) 408-2574, or Janice A. Kaye, Office of General Counsel, at (202) 408-2505.

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Terms Begin January 1

## Commercial Banks Double Representation In Elections For FHLBank Directors' Seats

The Federal Housing Finance Board announced that 55 individuals, representing their financial institutions, have been elected as board members of their local FHLBanks. The 55 positions account for approximately one-half of the 109 industry director positions on the boards of the FHLBanks.

The boards of directors of the FHLBanks are made up of three types of directors: public interest directors, community interest directors and industry directors. The Finance Board appoints both the public interest and community interest directors, but the industry directors are elected by member institutions in each of the 12 FHLBank districts.

Of the 55 seats filled in this year's election, 29 of the directors are newly elected and 26 are re-elected incumbent directors. Each director will serve a two-year term on the FHLBank board, beginning January 1, 1997. Directors can be re-elected for three consecutive terms.

A total of 29 of the 55 elected individuals are representatives of thrift institutions. Representatives from commercial banks earned 26 board seats in this year's election, double the number (13) that were elected last year. Of all 109 industry directorships, 41 will be filled by commercial banks as of January 1, 1997, which is the highest number of commercial bank

industry directors since commercial banks became eligible to join the FHLBank System in 1989.

The Finance Board oversees the annual elections of industry directors. It oversees the nomination process, tabulates the votes, and certifies that the winners meet the director eligibility requirements.

FHLBank System member institutions holding capital stock as of December 31, 1995 were eligible to vote in their states. The number of eligible votes each member has is based upon the minimum amount of capital stock that the institution was required to hold at the end of the preceding calendar year.

In the following list of directors, an asterisk indicates the individual was reelected to the position.

### **Boston**

Arthur R. Connelly  
Rodney E. Daniels  
Gerald T. Mulligan  
Charles W. Smith\*

### **New York**

Robert J. Bennett\*  
Atwood Collins, III  
George E. Scharpf  
Alan L. Williams\*

### **Pittsburgh**

L. Thomas Bulla  
Paul E. Reichart  
Joseph N. Tosh, II

### **Atlanta**

William R. Blanton  
James B. Davis\*  
H. Clark Goodwin  
Michael L. Middleton\*

### **Cincinnati**

Stephen D. Hailer\*  
Ed C. Loughry, Jr.\*  
Michael R. Melvin\*  
Anthony J. Popp  
Jerry L. Taylor

### **Indianapolis**

Duane I. Dickey\*  
David H. Dunn\*  
Gene R. Levell\*  
Charles C. Van Loan\*  
Jerry Von Deylen\*  
William R. White

### **Chicago**

Norman R. Bobins\*  
R. Scott Grigsby  
Allen H. Koranda  
Thomas W. Schini\*  
Russell F. Schroeder  
Raymond S. Stolarczyk\*

### **Des Moines**

Robert D. Anderson\*  
Charles R. Brazeale  
Charles L. Cavanagh  
Larry V. Schepers

### **Dallas**

Gary P. Cooper  
Robert A. Hulsey  
A. Fred Miller, Jr.  
George W. Mitchell\*  
Howard R. Neff

(See **DIRECTORS**, page 7)

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## **468 Affordable Units in Colorado Assisted**

# **FHLBank of Topeka, Local HFA, HUD/FHA Create \$24 Million Multifamily Housing Deal**

The Federal Home Loan Bank of Topeka and the Colorado Housing and Finance Authority (CHFA) joined forces to form a unique partnership -- the first of its kind in the nation -- to fund 468 units of multifamily housing in four communities in Denver and Fort Collins, Colorado. Some of the housing will be targeted for homeless and individuals with disabilities and AIDS.

In a two-part \$24.4 million bond issue, the FHLBank of Topeka purchased a \$1.5 million portion of the taxable bonds, and that amount combined with the remaining proceeds from the sale of \$422.9

million of tax-exempt bonds will finance four mortgage loans insured by the Federal Housing Administration (FHA). All four projects are part of the HUD's Section 542 risk-sharing program introduced in 1995 to promote multifamily housing more efficiently. The FHLBank of Topeka also contributed \$250,000 from its Affordable Housing Program (AHP) to the partnership.

According to David Herlinger, CHFA executive director and board member of the FHLBank of Topeka, the funding package is the first time that a partnership comprises the combined resources of a state finance agency, an FHLBank's purchase of taxable bonds, an AHP subsidy, and the HUD/FHA risk-sharing program to provide housing for very-low-income people who are homeless, suffering from AIDS or other disabilities.

"I am very pleased to see the broad range of participants in this transaction. The FHLBank of Topeka should be commended for its aggressive pursuit of mission-related activities," said Federal Housing Finance Board Chairman Bruce A. Morrison whose agency regulates the 12 FHLBanks.

One of the four projects, in downtown Denver, involves the rehabilitation of the Forum Apartments into 100 single-room-

occupancy units for the homeless earning 40 percent of the area median income.

The three remaining projects are new construction. Being built in Denver, is the South Oneida Club Apartments, a 112-unit complex with a portion of the units restricted to residents earning up to 60 percent of the area median income, and Harmony Residences, a 138-unit complex for residents of varying incomes. Some of the Harmony Residences units are targeted for individuals with AIDS or other disabilities.

In Fort Collins the funding will be used for Woodland Apartments, a 118-unit complex for residents earning up to 60 percent of the area median income

"We are eager to undertake this creative financing package with CHFA because it provides housing for people in need and also expands the scope of our participation in fulfilling our housing finance mission," said FHLBank of Topeka President Frank A. Lowman.

The CHFA is a nonmember mortgagee of the FHLBank providing it with access to low-cost funding for affordable housing efforts.

For more information on this project, contact Kim Gronniger, assistant vice president, FHLBank of Topeka at (913) 233-0507. □

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**(DIRECTORS, from page 6)** —

### **Topeka**

Jay L. Dunlap  
Duane L. Fager  
James R. Hamby\*  
Gregory D. Stine  
Louis F. Trost\*

### **San Francisco**

Dirk S. Adam\*  
Robert N. Barone\*  
J. Lance Erikson  
David T.C. Wright\*

### **Seattle**

Larry W. Jochim  
Kerry K. Killinger\*  
Ron R. Peery\*  
Daniel L. Stevens

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# RESOURCES

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"Financing the American Dream: Best Practices in Affordable Homeownership Lending" discusses ways, including homeownership counseling, education, and enhanced servicing, that lenders can use to improve the performance of single-family affordable housing loans. The 22-page book, which was published in August 1996, is free by calling **HUD USER** at (800) 245-2691.

"Lenders and Landlords: A guide to Tenant Organizing in Financially Distressed Housing" is a \$10 book available from the **Northwest Bronx Community Clergy Coalition and the Community Service Society (CSS)**. To order send a check for \$10 to CSS, 105 East 22nd Street, New York, NY 10010.

"64 Super Affordable Building Material Packages and Home Plans" is a 70-page booklet detailing floor plans for affordable housing for use by community-based housing organizations. The houses in the booklet range in size 875-1,616 square feet with 2-5 bedrooms and 1-3 baths. The plans combine good, buildable designs with a construction process that can utilize homeowners' sweat equity, volunteer labor, and contributed services from a broad cross section of a community. The booklet is free from **Miles Homes**, 4700 Nathan Lane, P.O. Box 9495, Minneapolis, MN 55440, or by calling Philip S. Dommer at (612) 553-8338.

A major study of nonprofit housing management issues and strategies has recently been completed by researchers at **Tufts**

**University and the New School for Social Research**. "Confronting the Management Challenge: Affordable Housing in the Nonprofit Sector" looks at examples from six locations across the country. Copies are available by call the California Housing Partnership Corporation at (510) 465-4933.

"Everything You Ever Needed to Know About CDBG . . . But Couldn't Find!" is a new guide book from HUD on the CDBG program. It is available by calling (800) 998-9999.

"The ninth edition of "Tax Credits for Low Income Housing: New Opportunities for Developers, Nonprofits, and Communities Under Permanent Tax Act Provision" by Joe Guggenheim provides in-depth coverage of the tax credit and incorporates the 34 changes in the LIHTC since the previous edition of the book. The \$66 book, plus \$5 for handling, can be ordered by calling Joe Guggenheim at (301) 320-5571.

"Federal Policy in Transition: A National Briefing Book on Housing and Community Development" is the companion book to housing policy briefings held in June and July, 1996, by the National Low Income Housing Coalition and the National Congress for Community Economic Development. For more information, contact the National Low Income Housing Coalition at (202) 939-3470.

"Urban Redevelopment, Displacement, and the Future of the American City" examines the record of urban redevelopment during the last half of the 20th century. For

more information, contact **The Federal Reserve Bank of Richmond** at (804) 697-8000.

"The HOME Investment Partnership Program: A Guide for Nonprofit Housing Developers," (Second Edition) explains the parts of HUD's HOME program most commonly used by nonprofit community housing development organizations. The guide is available from **The Enterprise Foundation** by calling (410) 964-1230.

"Small Town Housing: Policy and Potentials," a video satellite program focusing on housing needs and solutions for small rural communities, is available for \$15 by writing the **University of Nebraska-Lincoln Cooperative Extension**, 207 Agriculture Communications Building, PO Box 830918, Lincoln, NE 68585-0918, or by calling (402) 472-3035. □

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