

Federal Home Loan Bank System

Background

The Federal Home Loan Bank system is made up of twelve Federal Home Loan Banks (FHLBs) that are government-sponsored enterprises involved in housing and community economic development. Created in 1932 by the Federal Home Loan Bank Act, the FHLBs provide cash advances to their nearly 8,000 members, which include community banks, thrifts, credit unions, and community development financial institutions. Members of the FHLB system use their access to FHLB credit to finance affordable housing and economic development efforts in their service areas. Community economic development is promoted through several approaches, including the Affordable Housing Program, the Community Investment Program, the Community Investment Cash Advance and other grant and loan programs that promote homeownership, economic development and affordable rental housing.

Since 1989, the Federal Home Loan Bank system's public mission has included affordable housing and community development lending.

The Federal Housing Finance Board, based in Washington, DC, regulates the FHLB system. There are certain system requirements that each FHLB must follow, such as the provision of funds through the Community Investment Cash Advance and Community Investment Programs, but each of the 12 banks is autonomous and there is a great deal of flexibility and discretion among them regarding the programs they offer. As a consequence, the economic development programs offered to member institutions vary from FHLB to FHLB. Anyone interested in obtaining financing through any of the FHLB programs must contact the FHLB that covers their area for specific details about the programs offered in that location.

Some of the FHLBs have begun to move fairly aggressively into economic development, while others have remained closer to the original focus

on housing development. Among the additional programs offered are: the New Market Tax Credit Initiative, Economic Development Grants, Urban Development Advances, Rural Development Advances, and Letters of Credit. Each FHLB is required to develop a Community Lending Plan that explains how the bank will address the needs of the community it serves.

In order to access any of the FHLB programs, community organizations must work with one of the FHLB member financial institutions. A list of the banks that are members of each FHLB can be found on most of the FHLBs websites.

A recent issue that has developed as the banking industry has consolidated is that some financial institutions now have service areas that fall within the geographic area of more than one FHLB. Some members have petitioned the Federal Housing Finance Board to become members of more than one FHLB. A response has not yet been given. The issue of multiple memberships is extremely complicated and advocates are still trying to work through all of the implications for community development.

Programs that support economic development

The Community Investment Cash Advances (CICA) programs of the twelve FHLBs offer funding, including low-cost, long-term funds for member financial institutions to use to provide financing for projects that are targeted to certain economic development activities. These activities include commercial, industrial, manufacturing, social service, infrastructure projects, and public facility projects. CICA programs are targeted to specific beneficiaries and income levels.

The specific use of CICA funds varies and each FHLB offers a different array of programs. Among the more common programs are

- **Rural Development Advance Program:** supports projects in rural areas for beneficiaries with incomes at or below 115% of the area median income;
- **Community Investment Program:** supports projects in low- or moderate-income (80% of area median income) neighborhoods that benefit low- or moderate-income families.

Targeted geographic areas for CICA programs include:

- Champion Communities, Empowerment Zones, or Enterprise Communities;
- Indian Reservations, Alaskan Native Villages, or Hawaiian Homelands;
- Areas affected by a military base closing;
- Areas designated as affected by the North American Free Trade Act (NAFTA);
- Federal or state disaster areas;
- Areas eligible for a federal Brownfield Tax Credit; and
- Areas located in another federal or state targeted economic development program area.

Examples of other economic development programs available through individual FHLBs include:

- Economic development grant programs in Atlanta and Pittsburgh;
- A one million dollar fund to encourage members to use the New Markets Tax Credit by the Atlanta FHLB;
- A zero interest loan program for costs associated with start-up and feasibility analysis of mixed-use housing and economic development projects in Cincinnati's service area;
- Economic Development Program Plus, which is a one million dollar, first-come, first-served, non-competitive small business grant program by the Dallas FHLB;

The twelve FHLBs are located in: Atlanta, Boston, Chicago, Cincinnati, Dallas, Des Moines, Indianapolis, New York, Pittsburgh, San Francisco, Seattle, and Topeka.

Additional Information

Details on the programs offered by the FHLBs, as well as copies of their community lending plans and links to the website of each bank are available at www.fhfb.gov, the website for the Federal Housing Finance Board. Information on the geographic area served by each FHLB is also on the web.

Given the local autonomy of each FHLB and the differences in the programs offered among them, interested parties should contact the FHLB that serves their geographic area for more information on the programs, deadlines, and member financial institutions.

The National Congress for Community Economic Development also publishes a description of each FHLB's programs in the *2003 Practitioners' Guide to Federal Resources for Community Economic Development*.

NCCED is the trade association and advocate for the community-based development industry. Founded in 1970, NCCED represents over 3,600 community development corporations (CDCs) across America. CDCs produce affordable housing and create jobs through business and commercial development activities. NCCED services the community development industry through public policy research and education, special projects, newsletters, publications, trainings, conferences, and specialized technical assistance. More information about NCCED is available at <http://www.ncced.org>.

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