

National Mortgage News

Federal Home Loan Banks publicize new affordable housing efforts

Brad Finkelstein | July 11, 2024

In the wake of last year's bank failures, the role of the Federal Home Loan Banks in the U.S. financial system has come under scrutiny. With a spate of recent announcements, it looks like they are making an effort to boost knowledge of their affordable housing activities.

"For decades, the FHLBanks have played a crucial, if unheralded, role in supporting the mortgage market and supporting affordable housing and community development efforts and have always shined a light on the good work they are doing through their members in communities across the country," Council of Federal Home Loan Banks President and CEO Ryan Donovan said. "Two things that came through loud and clear during FHFA's review were that people wanted to know more about the FHLBank System and wanted more, not less, from the System."

In June, the Federal Housing Finance Agency, which regulates the FHLBanks, put out a formal request for public input on ways to improve their affordable housing efforts.

By law, 10% of their earnings must go to support their affordable housing mission.

The banks are making an effort to go beyond that minimum.

"Last year, the system came together and each of the banks decided that they would make a commitment to contributing 15% of their earnings to affordable housing programs, or some sort of discretionary programs that go to support affordable housing and community development," Donovan previously said in a recent interview with National Mortgage News.

Last month, the Council put out its second ever Impact Report, which noted the 11 Banks had \$355 million in statutory Affordable Housing Program assessments available for use in 2023.

They made \$180 million in voluntary funding contributions toward affordable housing and economic development last year and this year, they had \$752 million in AHP assessments during 2023 that are available for deployment in 2024.

Besides the 15% contribution, the banks developed nearly three dozen new voluntary grant programs over the past two years to address individual district needs.

"Telling our story in a more comprehensive way and getting the word out about these new initiatives is essential to their success and an important part of responding to the feedback we heard," said Donovan in his comment for this story.

Some banks have done a better job of publicizing their efforts in supporting affordable housing. The FHLBank Dallas constantly puts out press releases for its activities.

Since the start of this week, three banks have made announcements they say support their housing mission.

Members of the FHLBank Chicago can now pledge mortgage collateral that is underwritten using the VantageScore credit scoring model. Until now, the loans had to be originated using the Classic FICO model.

The FHFA is in the process of revising its secondary market requirements away from the Classic FICO that had been the sole scorecard permitted to both the VantageScore as well as FICO 10T models.

"FHLBank Chicago products and practices work to bridge the gap to homeownership for borrowers in our members' communities across Illinois and Wisconsin," said Michael Ericson, president and CEO, in a press release. "I am proud of our partnership with VantageScore and the progress we are making to drive financial inclusion and equitable access to mortgage lending in our district."

The parties claim that using VantageScore will open the market to an estimated 2.4 million consumers in those two states who had not been scored under the Classic FICO model.

In February, the FHLBank San Francisco permitted mortgage lenders to use the VantageScore model.

Also this week, the FHLBank Atlanta announced a coordinated effort with the Georgia Department of Community Affairs to increase the availability of down payment assistance.

Each agency has its own program but now homebuyers can access both at the same time for up to \$27,500 to put toward down payment and closing costs.

“Rising home prices and inflation have created an extremely challenging market for prospective homeowners,” said Kirk Malmberg, president and CEO of the FHLBank Atlanta in a press release. “With similar down payment assistance programs and a number of common bank providers, we partnered with DCA to create an opportunity to increase the amount that homebuyers can receive to put toward down payment and closing costs on a home.”

Through the FHLBank Atlanta’s First-time Homebuyer and Community Partners programs, borrowers are eligible for up to \$15,000 to purchase a home. The bank announced it was making \$40 million available for DPA during 2024 in February.

Meanwhile, the DCA’s Georgia Dream Homeownership Program offers up to \$12,500 per borrower.

“DCA is committed to partnering with mission-aligned organizations to increase homeownership opportu-

nities and make communities stronger,” said Christopher Nunn, the agency’s commissioner. “We are proud of the Georgia Dream Homeownership Program and know that by combining it with funding from FHLBank Atlanta’s program, we will help more Georgians achieve homeownership.”

The third announcement involved the FHLBank San Francisco, which made \$3.1 million in affordable housing grants available to Arizona-based housing developers through its Affordable Housing Program General Fund. That is a 54% increase in funding to Arizona participants compared with 2023.

“The affordable housing crisis affects countless families and individuals living in urban, populous cities, rural, tribal communities, and many places in between,” Alanna McCargo, who recently joined the FHLBank San Francisco as president and CEO, said in a press release. “We are pleased to be able to nearly double the amount of grant funding this year, in partnership with our members, to 59 critically needed projects across the region.”

Under McCargo’s predecessor, Teresa Bryce Bazemore, the bank entered into a 2021 agreement with the Urban Institute, creating the Racial Equity Accelerator for Homeownership, a two-year program for an incubator to develop innovations in housing finance, including mortgage underwriting and financial technology.

The Arizona funding will be used for three projects, including Pascua Yaqui Homes X, in collaboration with Western Alliance Bank and Pascua Yaqui Tribe. The money will help construct 45 multifamily units to house elderly people on the Pascua Yaqui Reservation.