AHAC

FHLBank Topeka

2019

AFFORDABLE HOUSING ADVISORY COUNCIL

Annual Report

2019 AHAC REPORT

Letter from the Chair

Addressing local housing needs was the focus of the Affordable Housing Advisory Council (AHAC) in 2019.

The much-anticipated release of the Federal Housing Finance Agency (FHFA) Affordable Housing Program (AHP) Final Rule occurred in late 2018. The AHAC and FHLBank reviewed the Final Rule and implemented the following changes effective March 22, 2019:

- Owner-occupied rehabilitation projects/units are exempt from retention agreements,
- FHLBank's owner-occupied purchase subsidy repayment calculation for both AHP and Homeownership Set-aside Program (HSP) households was made consistent with the Final Rule,
- Low-income Housing Tax Credit projects are exempt from providing back-up documentation of household income at Project Completion Reporting (PCR).

Updating the owner-occupied subsidy repayment calculation was particularly meaningful. FHLBank reported that in the four months following adoption of the repayment calculation, 103 households were exempt from repayment of nearly $200,000 from the sale of their homes. These households, all low- to moderate-income, retained their investment in their homes and realized the benefit of homeownership.

AHAC and FHLBank continued to review the Final Rule during 2019, amending the 2020 Implementation Plan to incorporate more items to address local housing needs:

- Rental projects involving purchase or rehabilitation that are occupied at the time of application may meet income targeting commitments either at submission of the application or upon initial occupancy of the unit(s) after completion of the purchase or rehabilitation, and
- Back-up income documentation at PCR or Long-term Monitoring is not required for AHP rental projects also receiving HUD Section 202 or 811 funding, or USDA Section 515 or 514 funding.

AHAC also reviewed the 2019 AHP awards and determined a lower maximum of $750,000 per project in 2020 would allow AHP to reach more projects and create more units of affordable housing.

As local needs change, FHLBank's programs are adjusted to remain effective tools for development. AHAC provides a forum for robust discussion of district housing needs and identification of ways to address the following challenges:

- Nearly 695,000 vacant housing units in Colorado, Kansas, Nebraska and Oklahoma,
- More than 19,000 occupied housing units lack complete plumbing facilities,
- More than 48,000 occupied housing units lack complete kitchen facilities, and
- More than 1.5 million owner-occupied and rental households are cost burdened, spending more than 30 percent of household income on housing costs.

Addressing local housing needs demonstrates FHLBank's commitment to its members, their communities and the affordable housing population.

Claudia Brierre

AHAC CHAIR

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NOTABLE

"FHLBank is a vital partner in providing unique funding options that benefit both our customers and our bank."

President and CEO of First State Bank

Mark Linville

No. 1

SECTION ONE OF THE AHAC REPORT

Profiles

RANDOLPH, NEBRASKA

B-to-Bee Strategy

Discounted advance through CDP helps bank find funding for apiculturer's dream

Garret Robinson's first job in high school was working for the local beekeeper.

In college, a beekeeping class reignited his interest. He continued beekeeping as a hobby for several years and then had the opportunity to purchase a bee farm from his former mentor.

In order to make the leap from hobbyist to full-time beekeeper, Garret needed the help of his community, notably his parents who helped provide collateral and the local First State Bank.

"Without FSB lending me the funds, I would not be in the bee business," Garret said. "They have been great with supporting me through the good times and the bad."

To make Garret's dream a reality, First State Bank drew on their relationship with FHLBank Topeka. Through the Community Development Program (CDP), this local community bank was able to secure a reduced-cost advance to match-fund Garret's loan.

Garret now runs a 1,000-hive outfit in Nebraska and California. The honey is made in Randolph, and the pollination is done in California. He sells his honey and wax to different packers across the country, as well as within his community. "Some locals stop by the honey house to purchase honey," said Garret.

Garret Robinson, a Nebraska beekeeper, shows off his 1,000-hive farm.

Helping community financial institutions support local economic development with favorable long-term, below-market pricing is the reason the CDP exists.

"FHLBank is a vital partner in providing unique funding options that benefit both our customers and our bank," said Mark Linville, president and CEO of First State Bank. "The CDP application is simple, and the program is always utilized for qualifying advances."

☐ AHP ☒ CDP ☐ CHP ☐ CLA ☐ HSP

DENVER, COLORADO

☒ AHP ☐ CDP ☐ CHP ☐ CLA ☐ HSP

Arroyo Village, which received a $750,000 AHP grant, brought much needed affordable housing options to West Denver.

‘Continuum of Care’

Unique Colorado complex offers levels of affordability

All the elements for a much needed affordable housing project in West Denver were there.

Housing costs were skyrocketing. The neighborhood was quickly gentrifying. And there were two buildings desperate for repairs.

With a little determination from local housing agencies and a strong partnership with Colorado Federal Savings Bank, Arroyo Village was born.

“Arroyo Village is the first project of its kind in Colorado to encompass a continuum of care for people experiencing housing instability,” said Tracy Gargaro, CFO/CIO of Rocky Mountain Communities (RMC). “It includes a homeless shelter, supportive housing and affordable housing.”

The 130-unit complex was a dual undertaking by both RMC and their neighbor agency The Delores Project, which serves women and transgender individuals experiencing homelessness. The newly renovated property combines a 60-bed homeless shelter, 35 one-bedroom permanent supportive housing units and 95 affordable family housing units.

Colorado Federal Savings in Denver teamed up with JP Morgan Chase to finance the $19 million construction project. Colorado Federal also sponsored a grant of $750,000 through FHLBank Topeka’s AHP.

Located near one of Denver’s busiest light rail stations, Arroyo Village is ideal for residents with limited income and transportation.

James Paris, Colorado Federal’s CRA Outreach Coordinator, said Arroyo Village was a great opportunity to establish more partnerships in the community.

“As the builders’ bank,” he explained, “we thought Arroyo Village was an ideal project because it provides housing and financial services at a key transit development in west Denver.”

☐ AHP ☐ CDP ☐ CHP ☐ CLA ☒ HSP

OKLAHOMA CITY, OKLAHOMA

Great Plains Bank of Oklahoma City, Oklahoma, has seen an increase in business since using HSP.

HSP Grants Spark New Sales

First-time homebuyer program is a boon for Oklahoma Bank

Residential mortgages are a tradition at Great Plains Bank in Oklahoma City, Oklahoma.

In 2010, they established a secondary market mortgage division to provide customers with a wider range of real estate loan options.

But it wasn’t until 2016 that Great Plains learned about a new game changer for customers.

“We are proud to say that since 2016 we have had the pleasure of helping 113 first-time homebuyers through FHLBank’s Homeownership Set-aside Program,” said Doug Park, National Sales Manager for Great Plains Bank.

FHLBank Topeka’s Homeownership Set-aside Program (HSP) provides up to $5,000 in closing cost, down payment and repair assistance for first-time homebuyers earning at or below 80% of the Area Median Income.

The use of HSP has generated new business for Great Plains, Doug said, because previous customers refer friends and family. The bank even has Realtor referral sources asking each spring when HSP will be available.

Not only does the program benefit customers and the community, it has unique benefits for Great Plains as well.

“In addition to the $5,000 grant,” Doug said, “I think the advantage is it allows Great Plains Bank to use its own loan programs and interest rates for the first mortgage instead of a rate offered by other down payment assistance providers.”

Using their own loan programs and rates helps Great Plains pass even more savings on to customers. For instance, they have had numerous buyers with excess seller concessions, which they can use to buy down the interest rate, giving buyers an even lower mortgage payment than initially quoted.

“It’s a great program,” Doug said. “For our communities and Great Plains Bank.”

HASTINGS, NEBRASKA

Raise a Glass and Restore a Window

Brewery transformed into celebrated housing

The steadfast brewers of Hastings. Nebraska, didn't let strengthening support for Prohibition dampen their dreams of opening a brewery.

Bottling their first ales in 1908, the Hastings Brewery grew to the second largest beer manufacturer in Nebraska before the temperance movement finaly shut them down.

The brewery had nine solid years of crafting old-style German lagers. One hundred years later, the building finally has permanent tennants once again.

"That building is a huge part of the city's history," said Scott Argo, vice president of Horizon Bank. "But it was a building that was abandoned, a blight. Now it's a showpiece."

In 2018, the historic landmark reopened as a 35-unit complex known as the Brewery Lofts. The modern low-income housing has energy efficient appliances, an elevator, communial areas throughout the building and creative green spaces on the grounds.

Cohen-Esrey Development Group, LLC, in cooperation with PreservingUS, Inc., completed the extensive renovations, which were made trickier by the building's place on the National Historic Register.

Angela Morehead, CEO of PreservingUS, said they took extra care to keep the architecture in place, including natural wood, exposed beams and the signature windows.

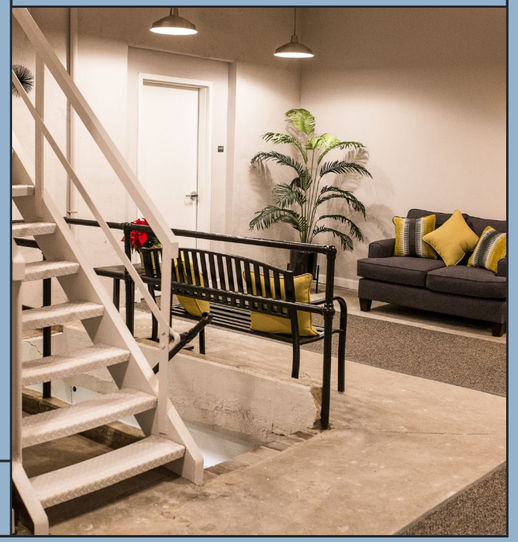
"The Hastings Brewery had some incredible windows that were restored," she explained. "It is breathtaking to see the natural light that comes through on a sunny day."

To fund the project, Horizon Bank helped secure tax credits for the developer and an Affordable Housing Program grant from FHLBank. The money, Scott said, is life changing.

"Housing is an identity. The beauty of these affordable housing projects is getting people to change the way they think about themselves by where they live," Scott said. "AHP funding makes the difference between a project being viable and not. What Horizon and what FHLBank Topeka are doing through AHP is working to improve people's lives."

BEFORE

AFTER



☒ AHP ☐ CDP ☐ CHP ☐ CLA ☐ HSP

HAYS, KANSAS

Tower of Savings

Major renovations underway at six-story apartment complex thanks to CDFI, CHP

As you drive through Hays, Kansas, one particular building stands out on the skyline.

Epworth Towers, a 90-unit residence for senior citizens with low to moderate incomes, has soared above the other buildings in the Western Kansas town since it was erected in 1982.

The community is managed by a local volunteer nonprofit board, Epworth Towers Inc., and has been since its creation. As the units have aged, major rehabilitation was needed.

That's where their partnership with Midwest Housing Development Fund, Inc. (MHDF), came into play.

MHDF, a Community Development Financial Institution, based in Omaha, Nebraska, helped Epworth attain Low-income Housing Tax Credit (LIHTC) funds for about 75% of the renovation. For the remaining 25%, MHDF used a reduced cost Community Housing Program (CHP) advance from FHLBank Topeka to fill the gap.

"LIHTC funds are a great value to a project like Epworth Towers, but they can't cover everything," explained David Fisher, President of MHDF. "Having fixed-rate term funding is essential. The reason MHDF became a member of FHLBank Topeka was to have an avenue to provide this funding to our partners."

The CHP advance resulted in a 29 basis-point reduction in funding costs for the 15-year loan.

"In this case, it saves Epworth nearly 15% of the interest costs each year," said Fisher. "That's money they can now spend on their residents."

The renovations now underway touch nearly every part of the six-story community.

"We're modernizing the lighting, elevators, community space, mechanical systems and individual units from top to bottom," said Matt Catanese, VP of Investment Resources Corp., Wichita, Kansas, the developer and guarantor of the rehabilitation.

About a quarter of the budget is going toward mechanical improvements. The units will be upgraded to a state-of-the-art variable refrigerant flow system that will provide individual heat and air for each unit. This means issues can be isolated and not affect the whole building when there is a problem.

The best part to residents is no increase in rent since the community is a Section 8 development. And, with help from low funding costs, Epworth's management can spread out the development costs over the life of the loan and still be able to reserve funds for possible repairs in the future.

With the investment in the development, Epworth Towers will continue to stand prominently on the Hays skyline for years to come.

"It feels good when you meet with the residents," David said. "And see the difference the renovations will make in their lives."

☐ AHP ☐ CDP ☒ CHP ☐ CLA ☐ HSP

NOTABLE

" Housing is an identity ... what FHLBank Topeka (is) doing through AHP is working to improve people's lives."

Vice President of Horizon Bank - Nebraska

Scott Aragon

No. 2

SECTION TWO OF THE AHAC REPORT

At a Glance

COMMUNITY SUPPORT STATEMENTS

Numbers and Notes from FHFA Reviews

In 2019, 693 FHLBank Topeka members were subject to a Community Support review by the Federal Housing Finance Agency.

The Community Support Requirements consider a member's Community Reinvestment Act (CRA) record and lending to first-time homebuyers.

FHLBank members must comply with these requirements to maintain access to FHLBank's long-term advances and to continue participating in the AHP, HSP, CHP and CDP.

The following is a breakdown of the numbers from those reviews:

100 percent of FHLBank's members subject to Community Support review in 2019 demonstrated support for first-time homebuyers and are in compliance with Community Support Requirements.

Nearly 100% of FHLBank's members subject to both CRA and Community Support review received an Outstanding or Satisfactory rating on their most recent CRA examination.

173 FHLBank members noted a total exceeding $2.5 billion of mortgage loans to 12,764 first-time homebuyers.

Members may demonstrate other financial support or participation in support of first-time homebuyers. The top five responses in 2019 were:

279 members offer an in-house first-time homebuyer program (e.g., underwriting, marketing plans, outreach programs)

271 members hold mortgage-backed securities that may include a pool of loans to low- and moderate-income homebuyers

228 members indicated participation in federal government programs that serve first-time homebuyers (e.g., FHA, VA, USDA RD)

226 members offer flexible underwriting standards for first-time homebuyers

186 members use affiliated lenders, credit union service organizations, or other correspondent, brokerage or referral arrangements with specific unaffiliated lenders, that provide mortgage loans to first-time or low- and moderate-income homebuyers

☐ AHP ☐ CDP ☐ CHP ☐ HSP ☒ ALL OF THE ABOVE

☐ AHP ☐ CDP ☐ CHP ☒ CLA ☐ HSP

CLA *Quick Look*

Each year, FHLBank selects a member to receive the Community Leader Award (CLA).

The honor recognizes a member's commitment to outstanding leadership and vision. In 2019, the Eastern Colorado Bank in Cheyenne Wells was selected as the 2020 honoree.

Get to know ECB with these five facts:

1 Eastern Colorado has six branches as far west as Colorado Springs and as far east as Sharon Springs, Kansas. Doors first opened in 1944.

2 To celebrate their 75th year in 2019, ECB donated $75,000 to causes they care about in their community.

3 One of these causes is the Kit Carson Rural Development organization. As with many towns in the area, consolidation of agriculture has reduced the population by 95% since the '60s.

4 With a location right on U.S. Highway 287, Kit Carson is well-positioned to provide services to travelers heading from Denver to Dallas. But without sufficient housing to attract workers for a travel center, the town is at an impasse.

5 A $10,000 grant from ECB helped push the town's housing initiative forward. The effort received an additional boost from FHLBank Topeka's #500forgood program too.

A video highlighting ECB will debut on our About Us page later this summer.

FHLBank HCD Programs

PROGRAM	USES	BENEFICIARIES	FUNDING	TERMS
Affordable Housing Program (AHP) Owner-occupied and Rental	Gap financing for the acquisition, rehabilitation, or new construction of owner-occupied and rental housing	Households with income at or below 80% of the Area Median Income (AMI)	Grants of up to $750,000 per project $14,594,620 approved in 2019	■ Competitive program ■ Must meet regulatory guidelines and eligibility/ feasibility requirements ■ Must demonstrate need for subsidy ■ 5-year retention period for owner-occupied purchase projects and 15-year retention period for rental projects ■ Owner-occupied rehabilitation is not subject to retention
Homeownership Set-aside Program (HSP)	Down payment, closing cost and purchase-related repair assistance	First-time homebuyer households in FHLBank's district with incomes at or below 80% of the AMI	Grants of up to $5,000 per household; per member limits may be lifted after Aug. 1 $6,577,739 disbursed from 2019 HSP for 1,351 total households	■ Non-competitive program ■ Must meet regulatory guidelines and eligibility/feasibility requirements ■ 5-year retention period
Community Development Program (CDP)	Financing for qualifying commercial loans, farm loans and community and economic development initiatives	Small businesses, farms, agribusiness, public or private utilities, schools, medical and health facilities, churches, day care centers or other community and economic development projects	Regular, callable and amortizing fixed rate or adjustable rate advances with a minimum amount of $10,000 priced below FHLBank's regular rates $98,358,200 of approved applications in 2019	■ Non-competitive; available terms from four months to 30 years ■ Eligibility requirements apply ■ Members must comply with FHLBank credit guidelines
Community Housing Program (CHP)	Financing for owner-occupied and rental housing	Households earning at or below 115% of the AMI	Regular, callable and amortizing fixed rate or adjustable rate advances with a minimum amount of $10,000 priced below FHLBank's regular rates $52,507,800 of approved applications in 2019	■ Non-competitive; available terms from four months to 30 years ■ Eligibility requirements apply ■ Members must comply with FHLBank credit guidelines

NOTABLE

"The AHP funds have been instrumental in allowing Topeka Habitat to serve our community in a monumental way."

CEO of Topeka Habitat for Humanity

Janice Watkins

No. 3

SECTION THREE OF THE AHAC REPORT

About Us

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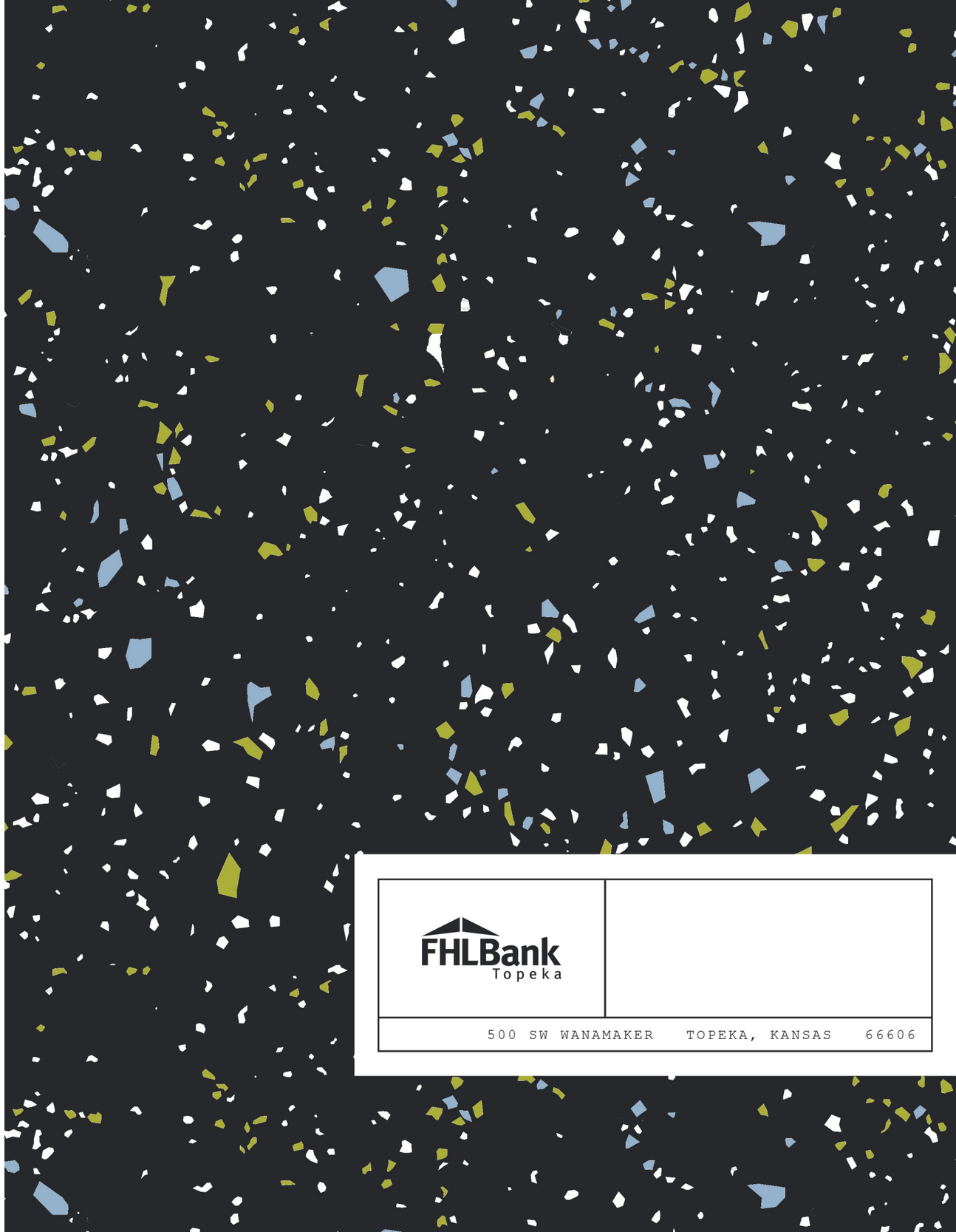
FHLBANK TOPEKA'S MISSION

We make a difference by providing reliable liquidity and funding to help our members build strong communities



FHLBank Topeka

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