

## Federal Home Loan Bank Programs for Community Investments

### What is the Federal Home Loan Bank System?

The Federal Home Loan Bank System (the System) is comprised of 12 banks and the Office of Finance which provides funds for mortgages and community lending. Each Federal Home Loan Bank (FHLBs) is a government-sponsored enterprise, federally chartered, but privately capitalized and independently managed.

Each home loan bank is a cooperatively owned, membership organization, and national banks and federal savings associations, as well as community banks, commercial banks, credit unions, community development financial institutions, and insurance companies, are eligible for membership.

### What is the mission of the FHLBs?

The FHLBs support members' residential-mortgage and economic development lending activities by providing members with a strong and reliable source of funds, through secured loans called "advances" and mortgage purchase programs. Members use the funds to finance housing (including affordable housing), and community and economic development.

### Unique qualities of the 12 FHLBs

The 12 banks are each located in a different region of the country. Each of the 12 FHLBs has determined individual program goals, based on local market conditions. They also develop unique

programs that respond to the needs of their region and local communities. A list of the regional banks can be found [here](#).

### How can national banks and federal savings associations benefit from the FHLB System?

**Membership:** Only FHLB members and non-member housing associates (principally state and local housing finance agencies) can borrow or obtain grant funds from a FHLB. Members must meet strict collateral, capital and credit requirements that are continually monitored.

**FHLB Advances:** Advance lending is the FHLBs' main business line. Advances were designed to ensure that financial institutions will have sufficient funds to meet the credit needs of their communities.

**Mortgage Purchase Programs:** These FHLB mortgage programs (also known as the "acquired mortgage assets" programs) serve as an alternative secondary mortgage market option. The programs split the associated risks according to expertise of the member lenders (keeping the credit risk and maintaining the customer relationship) and FHLBs (managing the interest rate risk). Programs vary at each bank. Contact your bank to learn more about their mortgage purchase program.

**Affordable Housing Program (AHP):** The FHLBs contribute annually 10 percent of their net income toward their individual AHPs (or more if needed to meet a system-wide minimum of \$100 million). The AHP competitive program provides grants and subsidized interest rates on advances through member institutions for investment in very low-income and low- or moderate-income housing initiatives. These awards are based on a scoring criteria designed by each bank. Members partner with developers and community organizations to finance the purchase, construction, or rehabilitation of owner-occupied or rental housing. Grants can also be used to lower the interest rate on loans, cover down payment and closing costs, cover counseling and homebuyer education, and the refinancing of existing loans. The program is flexible so that AHP funds can be used in combination with other programs and funding sources, ensuring a project's feasibility. To make certain that AHP-funded projects reflect local housing needs, each FHLB is advised by an Affordable Housing Advisory Council for guidance on regional housing and community development issues.

**A noncompetitive AHP homeownership set-aside program** allows a FHLB to award a portion of its AHP funds to provide downpayment and closing costs assistance to low- and moderate income (LMI) households purchasing homes. At least one-third of this assistance is made available to assist first-time homebuyers. Members obtain the AHP set-aside funds from the FHLB and then use the funds as direct-grants to eligible households. Some FHLBs require households to save with the member for a period of time or to obtain their mortgages from the member.

Each Bank sets its own maximum grant amount up to \$15,000 per household.

**Community Investment Program (CIP):** The CIP is a noncompetitive, community development lending program that provides below-market-rate advances to members. These loans enable members to extend long-term financing for housing for households with incomes up to 115 percent of the area median

income and for economic development that benefits low- and moderate-income families and neighborhoods. This program is designed to be a catalyst for affordable housing and economic development because it supports projects that create and preserve jobs and helps build infrastructure to support growth. Members have used CIP to fund owner-occupied and rental housing, construct roads, bridges, retail stores, sewage treatment plants, and provide small business loans. The program is especially useful in rural areas where resources are limited.

**Community Investment Cash Advances (CICA):** The FHLBs also offer below-market-rate advances and other financial assistance for members funding community economic development in targeted geographic areas, such as brownfields or areas affected by military base closings, and for small businesses, which are not income-restricted. The FHLBs offer additional CICA programs for member financing for economic development providing jobs or benefiting rural households up to 115 percent of area median income and urban households up to 100 percent of area median income.

### **Community Reinvestment Act (CRA) and 12 CFR 24:**

National banks and federal savings associations using the FHFA programs (AHP, CIP, and CICA) for community development projects may also meet the definition of community development in the CRA regulation. Thus, banks may receive favorable CRA consideration. Community development includes affordable housing (including multifamily rental housing) for LMI individuals and community services targeted to LMI individuals. It also includes community development activities that revitalize or stabilize LMI geographies, designated disaster areas, or designated distressed or underserved non-metropolitan middle-income geographies. See: [Questions and Answers](#) regarding CRA questions and answers proposed on January 6, 2009 and see: [Questions and Answers](#) regarding CRA questions and answers proposed on March 18, 2013. Also, see the definition of community development for [national banks](#) and [federal savings associations](#).

## Community Development

National banks may make investments primarily to promote the public welfare under the community development investment authority in 12 USC 24(Eleventh) and its implementing regulation, 12 CFR 24. As discussed earlier in Section I, the OCC's 12 CFR 24 implements that section of the act, which authorizes national banks to make loans and investments to promote the public welfare by benefiting primarily LMI individuals, LMI areas or government targeted redevelopment areas. Eligible public welfare investments also include projects that would be "qualified investments" under CRA.

Federal savings associations may make public welfare investments under specific authorities that are described on the OCC's Public Welfare Investments Web Resource [Directory](#).

National banks seeking to provide financing to projects under 12 CFR 24 must either request prior OCC approval or submit an after-the-fact notice to the OCC, depending on the bank's safety and soundness profile, CRA performance, and the nature of the project financing.

## For More Information

Each FHLB offers a unique set of programs developed for a specific region. To contact the FHLB in your area(s), find the FHLB district that includes the location of your bank's headquarters [here](#).

For additional information, visit:

[Federal Housing Finance Agency](#)

[Federal Home Loan Bank System](#)

[AHP Homeownership Set-Aside Program](#)

[Federal Home Loan Bank Fact Sheet](#)

**Disclaimer:** The OCC encourages all parties interested in these programs to contact their regional Federal Home Loan Bank for up-to-date, detailed information.

### Disclaimer

*Community Developments Fact Sheets* are designed to share information about programs and initiatives of interest to bankers and community development practitioners. These fact sheets differ from OCC bulletins and regulations in that they do not reflect agency policy and should not be considered definitive regulatory or supervisory guidance. Some of the information used in the preparation of this fact sheet was obtained from publicly available sources. These sources are considered reliable, but the use of this information does not constitute an endorsement of its accuracy by the OCC.