Federal Home Loan Bank
NEW YORK

Targeted Community Lending Plan

— 2022 —

Letter from the Community Investment Officer

Dear Members and Community Partners,

On behalf of the Community Investment team at the Federal Home Loan Bank of New York (FHLBNY), I would like to thank you for your continued engagement – for teaching us about the challenges facing your institutions, your customers, and the communities you serve. This collaboration improves the fit between our products and programs and the needs for funding to support affordable housing and community development across the district.

The mission of the FHLBNY is to advance housing opportunity and local community development by supporting members in serving their markets. The suite of community investment products and programs advances this mission by addressing the needs for pertinent credit and for quality affordable housing. In 2021 the Affordable Housing Program (AHP), Homebuyer Dream Program® (HDP) and the Community Lending Programs (CLP) underwent significant changes driven by feedback and insights from the FHLBNY's membership and community partners. The AHP utilized a revamped set of scoring criteria by which to make awards to project applications, emphasizing things like lending or other financial participation from a FHLBNY member, green building innovation, and locating projects in high opportunity areas. The HDP reverted to allotting each participating member a predetermined amount of program funds to support its mortgage customers, as opposed to what was essentially a race among members for program access the previous year. And we refined the CLP, a set of discounted advance products, so they better aligned with the asset and liability management strategies and Community Reinvestment Act plans of our members.

These changes were implemented after diligent research and planning and have been well received by a wide cross section of FHLBNY partners. Still, because of the ongoing COVID-19 pandemic, these and other FHLBNY programs faced serious headwinds in 2021 in their ability to impact the district's communities, relative to other years. The AHP received fewer application submissions than in previous years, as we understand due to delays in project planning and execution from price increases, staffing challenges, and backlogs for municipal approvals. As for the HDP, due to supply-and-demand imbalances and subsequent bidding wars in the local housing market, many members have struggled not only to take advantage of the grant funding but also to put low- and moderate-income households into homes. And the combination of unprecedented federal government and Federal Reserve Bank intervention resulted in higher deposits for members, ultimately reducing their need for CLP funding. Despite these challenges, the FHLBNY staff, working remotely again in 2021, has maintained the same high standards as you would expect, and the lines of communication remain open to address unforeseen circumstances. This will be the case, of course, going into 2022, as well.

In this context, the FHLBNY has used discretionary funds, authorized by its Board of Directors, to address key issues beyond the scope of the core programs. As of the writing of this Targeted Community Lending Plan, FHLBNY members are on pace to deploy in excess of $6 million in grant funds to small businesses and non-profit organizations through the Small Business Recovery Grant program, on top of $8 million disbursed in 2020. These grants, up to $10,000 each, have strengthened members' relationships in their communities and sustained hundreds of organizations as they reposition their businesses, invest in the safety of their staff, and plan for the future. The FHLBNY also invested over $1 million to support homelessness prevention efforts, address issues of racial equity in the affordable housing space and assist those who were impacted by Tropical Storm Ida.

The importance of community investment is underscored in the FHLBNY's strategic planning initiatives, including the three-year (2022 – 2024) Strategic Plan. This 2022 Targeted Community Lending Plan discusses the research and analysis conducted by the FHLBNY to develop that strategic plan, which will involve growing the value proposition for FHLBNY membership by leveraging investments in technology and broadening the knowledge base and subject matter expertise of staff.

There are few things that touch our lives in as many ways as housing does; its purpose is far greater than simply to provide shelter. It can serve as a place of refuge, provide a sense of pride, and help to strengthen one's connection to the community. Furthermore, housing is a primary asset for homeowners and is the most common means of creating personal wealth. An affordable home, for a household at any income level, allows them to have enough disposable income to save and invest and to purchase other essential items such as healthy food, healthcare services, and school supplies. Additionally, housing is valued for its location, for the access it provides to good schools, efficient transportation, shopping, safe parks, and for the opportunity to live in the neighborhood of one's choice.

Though the impact housing has on one's social and economic wellbeing can be advantageous, many households are not able to fully realize these benefits primarily due to the residual and disparate effects (e.g., disinvestment, underfunded school systems, loss of job opportunities, blight and crime) of unfair 20th-century housing policies, that have since been eradicated, such as segregated public housing, exclusionary zoning ordinances and redlining. As a result, economic mobility, the ability of an individual or family to improve their economic status, is difficult to attain for lower income households and for residents of underserved communities.

This Plan expands upon the body of research that considers housing's role in the lives of individuals and families as a social determinant of health by evaluating district housing challenges within the context of economic mobility. In short, housing can be either an accelerant of mobility or a brake against it. A recent literature review from the Urban Institute and Enterprise Community Partners, by experts with experience managing and evaluating government housing programs, makes the case for thinking of mobility in terms of five housing goals: (1) Housing Quality, (2) Housing Affordability, (3) Housing Stability, (4) Housing that Builds Wealth, and (5) Neighborhood Context.

Readers of past Targeted Community Lending Plans from the FHLBNY will find familiar issues embedded in the goals above, such as dilapidated housing, aging housing stock, homelessness, and climate resilience. These issues continue to be at the forefront of our minds. However, we believe incorporating an analysis of the diverse district needs through this lens of economic mobility will enhance our effectiveness at setting priorities when augmenting community investment products and programs and measuring the impact of these financial tools.

Thank you to the members of the Affordable Housing Advisory Council (AHAC) and Housing Committee of the Board of Directors of the Federal Home Loan Bank of New York, who have been generous with their time and gracious enough to share their expertise with us throughout the year. Once again, I thank our members, community partners and practitioners for all the valuable feedback and insights you've provided to our researchers. And finally, thank you to the brilliant and dedicated team at the FHLBNY. Putting together this Plan, full of district-specific data, analysis, solutions and goals is no small feat, and it takes a collaborative effort to pull it off so well.

The research and writing of this Plan are critical to our product development endeavors. I encourage readers of this Plan to reach out to me and the FHLBNY's team of relationship managers, or to the members of the AHAC, to share your experiences and ideas.

Sincerely,

Daniel Randall
Vice President and Community Investment Officer
Federal Home Loan Bank of New York

Table of Contents

1. Credit and Affordable Housing Needs

The Federal Home Loan Bank of New York (FHLBNY), which serves New York, New Jersey, Puerto Rico and the U.S. Virgin Islands, offers a suite of programs and products that support its members and their communities in the areas of access to credit and affordable housing:

- The Affordable Housing Program (AHP) provides subsidies, in the form of grant funding, to support the creation and preservation of housing for very-low, low, and moderate-income families and individuals. AHP funds are awarded to FHLBNY members that submit applications on behalf of project sponsors that are planning to purchase, rehabilitate, or construct affordable homes or apartments. Funds are awarded through a competitive process which typically takes place once a year.
- The Homebuyer Dream Program® (HDP), launched by the FHLBNY in 2019, is a grant program that supports members' mortgage lending activity by providing down-payment and closing-cost assistance. In the HDP, members submit reservation requests on behalf of their customers, who are currently under contract for a home. Those customers must be first-time homebuyers and have incomes at or below 80% of the area median income.
- The Community Lending Programs provide members with discounted rate advances to fund their loans for eligible purposes. These products include the Community Investment Program (CIP), which supports housing related activities where the households' incomes do not exceed 115% of the area median income; the Urban Development Advance (UDA), for economic development projects or programs in urban areas (population of greater than 25,000) and benefitting individuals or families in areas where the median income is at or below 100% of the area median income; and the Rural Development Advance (RDA) program, for rural areas (25,000 or less) where the tract income is at or below 115% of the overall area. The same discounted rates are available through the Disaster Relief Funding (DRF) program, which the FHLBNY makes available to members to assist rebuilding and economic recovery efforts in federally-designated disaster areas.

While each of these programs must comply with certain statutory and regulatory requirements and priorities, common to all of the FHLBanks across the country, there is flexibility and opportunity to tailor programs to the specific needs and market conditions of each district. Understanding those needs is a continuous process that encompasses regular consultation with the members of the Affordable Housing Advisory Council and of the Housing Committee of the Board of Directors of the Federal Home Loan Bank of New York; outreach to senior-level staff of FHLBNY member institutions; interviews and focus groups with organizations working in a particular geography or issue area, including implementing partners for FHLBNY charitable contributions; policy- and operational-level conversations with housing finance agencies; interviews with academics and other subject-matter experts on recent developments and best practices; and focused data analysis undertaken each year at this time to produce the Targeted Community Lending Plan (the Plan).

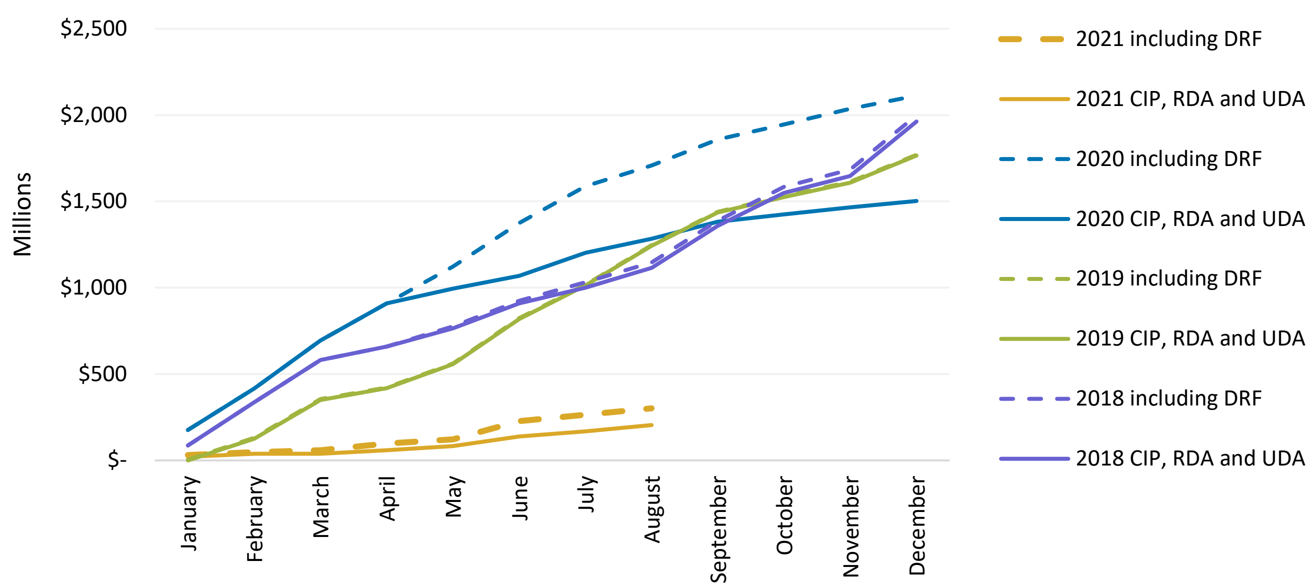
A. Credit needs through touchpoints with FHLBNY members and their customers

The credit needs in the district – from those of large financial institutions to small businesses and first-time homebuyers – are diverse, and cataloguing them exhaustively is beyond the scope of this Plan. Rather, it is more meaningful to take the vantage point of the FHLBNY's touchpoints with the district. Because later sections of the Plan describe how the FHLBNY's products and programs respond to market opportunities, this section singles out specific credit needs that are relevant for the tools available to the FHLBNY. In particular, the FHLBNY is positioned to understand and respond to the credit needs of its membership, which can in turn make strategic decisions about how to use the FHLBNY's flexible funding to support their communities across the district.

Going into the year 2022, FHLBNY members have more liquidity than in past years. According to interviews with dozens of members in recent months, a combination of a low interest-rate environment and an influx of customer deposits has altered the preferences banks and credit unions have for asset-liability management, at least in the short term.[1] These preferences can be seen in *Figure 1* below, which shows the activity in the Community Lending Programs – the core programs as well as the Disaster Relief Funding program, made available to members in response to Hurricanes Irma and Maria, the early-2020 earthquakes in Puerto Rico, the COVID-19 pandemic, and, after the data in the graph, Hurricane Ida (a tropical storm in New York and New Jersey).

To be clear, the chart does not depict the level of FHLBNY members' own community investment lending (though in many cases lending activity overall may be depressed). Rather, it shows members' dependence on FHLBNY borrowing to fund such lending, and hence speaks to the utility of FHLBNY products at present.

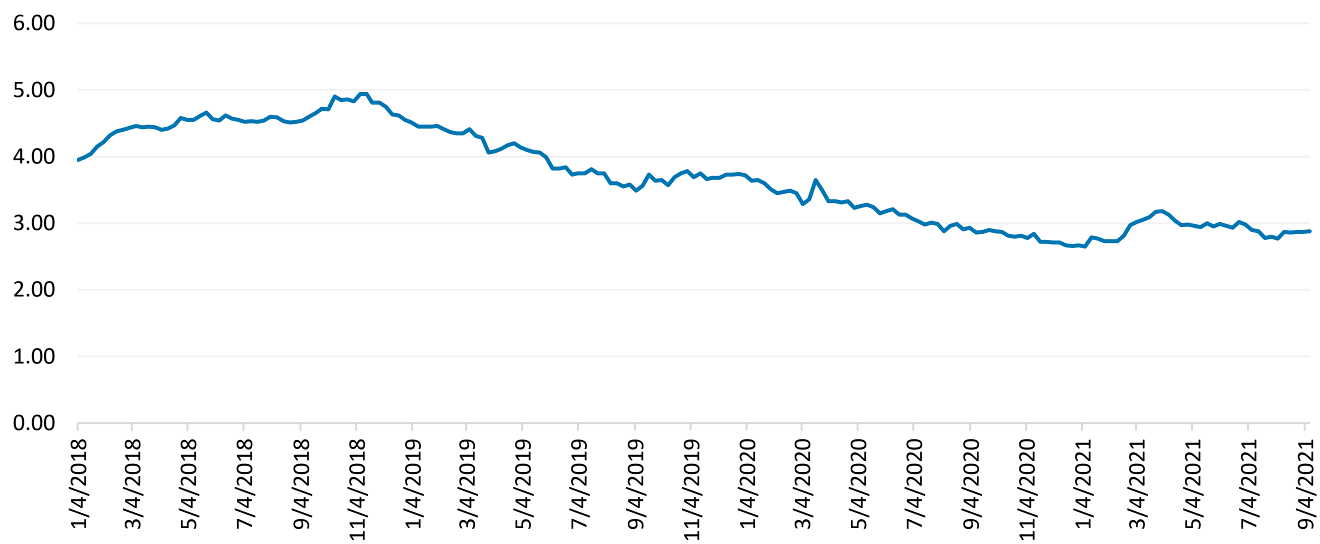
Figure 1: Cumulative discounted advances by month issued to FHLBNY members as of Sept. 1 2021



At the time of the writing of this Plan, the FHLBNY was preparing to launch a new discounted advance product, the Business Development Advance, on a temporary basis. Modeled after similar programs at other Federal Home Loan Banks, the Business Development Advance is essentially a discount fund: it uses discretionary dollars to buy down the interest rate of members' advances that are used to fund loans to small businesses. The program's intent is to give members added flexibility to adapt their offerings to their customers' needs and financial capabilities. The program establishes a maximum spread that members can add to those loans above their cost of borrowing. Members may choose to reduce the rate on their advances all the way down to zero percent, allowing them to offer financing at extremely low rates to their small business customers.

Turning to the needs of the FHLBNY membership's customers, current mortgage rates would seem to indicate that lenders have a favorable outlook on the economy's emergence from the pandemic. *Figure 2* below shows weekly averages from Freddie Mac's Primary Mortgage Market Survey.[2] As the accompanying press release states, "Consequently, mortgage rates dropped early this summer and have stayed steady despite increases in inflation caused by supply and demand imbalances. The net result for housing is that these low and stable rates allow consumers more time to find the homes they are looking to purchase."

Figure 2: 30-year fixed mortgage rates 2018-Sept. 9, 2021

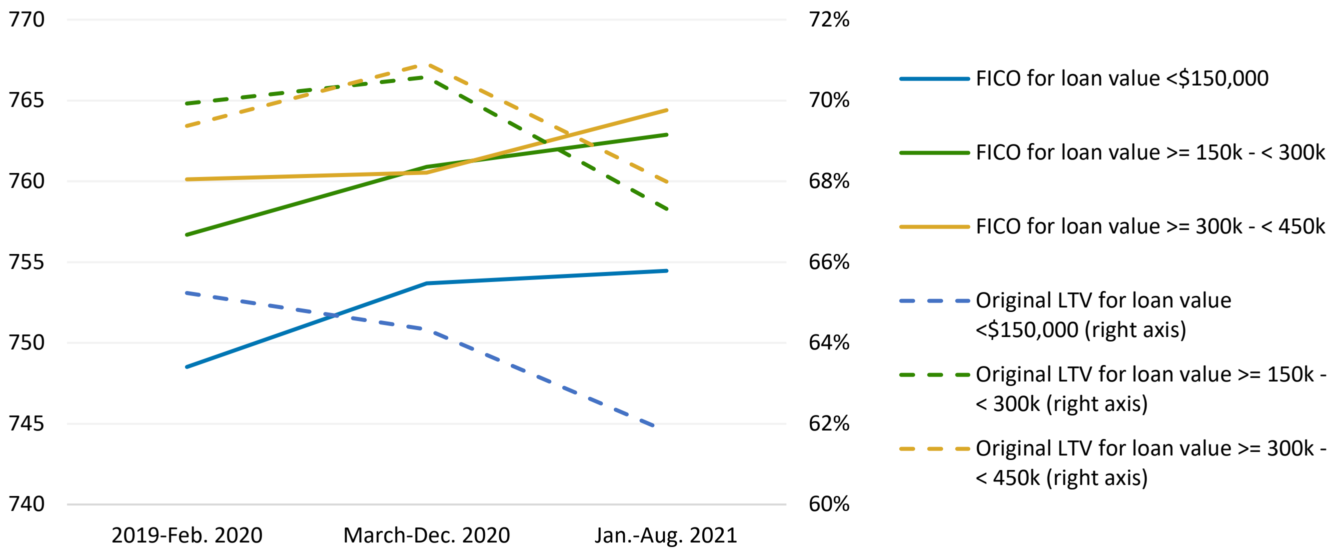


However, as the extensive evidence in the sections below regarding housing needs demonstrates, these low mortgage rates have been largely irrelevant to low- and moderate-income potential homebuyers in the district, who are constrained by their current assets and especially by the available housing inventory more so than by available credit.

Data from residential loans pledged as collateral to the FHLBNY further suggest that the issue is not primarily the underwriting standards of lenders, which seem to be largely consistent with their pre-pandemic levels. (When they borrow from the FHLBNY, members must have an adequate amount of eligible pledged collateral.)

In general, lower FICO scores and higher loan-to-value ratios would suggest that lenders are less risk averse and more motivated to originate loans. *Figure 3* below shows data for the lower-tier loan levels among the pledged collateral, grouped by the period in which the loans were originated, as of August 31, 2021. The data in the graph constitute over 70,000 residential loans. Across the periods covered in the graph, there seems to have been very little change in the approach to lending at these amounts – any movement has been within a quite narrow band – with the possible exception of a slight tightening for the loans of less than $150,000.

Figure 3: Weighted average FICO scores and original loan-to-value ratios for FHLBNY collateral



These figures may not fully capture members' lending activity; because these loans are retained in members' portfolios.[3] Yet with the available evidence above, and as the next sections describe, there seem to be more significant district needs at present than access to credit.

B. Affordable housing needs, using an upward mobility lens

Written approximately six months into the COVID-19 pandemic, the 2021 Targeted Community Lending Plan described the available evidence on housing needs in the district and identified these three priorities: 1) Low- and moderate-income renters and potential homebuyers are likely to be left behind as recovery begins; 2) Eviction and foreclosure moratoriums are holding down what is expected to be a wave of need for homeless housing and supportive services; and 3) The design of affordable housing impacts its contribution to equitable communities.

In line with the analysis of industry experts – e.g. leaders of state housing finance agencies, members of the Affordable Housing Advisory Council (AHAC), academics affiliated with major universities – that Plan linked the identified needs to the ongoing crisis through a framework of "health and housing." In other words, how were the challenges of providing safe, affordable housing connected with the physical health of the residents in the district, and to what extent was the provision of that housing succeeding in furthering health outcomes?

In the year since that Plan, a group of researchers have developed and advocated on behalf of a broader framework – one that looks not only at the way housing and health are intertwined but at upward mobility more generally, a bundle of outcomes that necessarily includes physical and emotional health. Experts from the Urban Institute and Enterprise Community Partners surveyed the academic literature and settled on five goals that, taken together, policy makers and the industry can use to make strategic decisions about the deployment of resources.[4] Within each housing goal outlined in this mobility framework, the researchers identified one or more metrics to measure the extent of need (or accomplishment) in a given geographic area. They note that in certain areas specialized data sources may be available to evaluate a housing goal that do not cover the country as a whole.

In an interview with FHLBNY staff, the Urban Institute and Enterprise researchers emphasized the collective nature of the goals – not necessarily that they could all be achieved at the same time or in the same initiative, but that individual actors should at least be conscious of the expected outcomes and limitations of their decisions.[5] They suggested using a kind of scorecard: Toward which goals is there sufficient progress, and toward which others is progress lagging? This framework, and the approach recommended by these experts, will guide the analysis of the housing needs in the district in this Targeted Community Lending Plan.

The metrics and sources utilized in this section are among those upon which the FHLBNY staff relies to make programmatic decisions, and, importantly, they also respond to the continuous and generous insights and advice of the members of the AHAC and of the Housing Committee of the Board of Directors of the FHLBNY, members, and other experts in the district.

Three other benefits of shifting to an economic mobility framework for measuring district needs:

- Because the metrics were developed at a national level, the housing needs of the FHLBNY district can be compared with those of other areas of the country;
- Standardizing the metrics utilized in the Targeted Community Lending Plan can make it easier to track progress, and impact, over time; and
- Bring more consistency to this element of the Targeted Community Lending Plan can allow staff to dedicate more time to translating the identified needs into market opportunities for the FHLBNY, its members, and the communities of the district.

For similar reasons, the data sources referenced in the Plan heavily favor regularly recurring, publicly available surveys over infrequent or ad hoc studies – occasionally sacrificing some nuance. Those interested in a full discussion of the merits of some of these data sources can consult previous iterations of the Targeted Community Lending Plan, available in the appendix, which surfaced several industry debates on measurement. The appendix also describes sources identified by the Urban Institute and Enterprise team that were considered less valuable for this Plan. One other note about data: In many cases, the most recently available survey data predates the onset of the COVID-19 pandemic or otherwise does not fully capture its likely impact on the district's needs going into 2022. Where possible, this Plan supplements the data with analysis and projections from industry experts but does not attempt to capture up-to-the-minute statistics regarding the fast-moving nature of the pandemic policy environment.

Again, the housing goals and metrics should be considered as a bundle of mostly complementary ideas. The FHLBNY district has severe needs in all of the five dimensions described below, and, recognizing its place among the other players in the housing space, the FHLBNY makes informed decisions about which goals to pursue with the available resources.

1. Housing quality

Housing quality as a mechanism for mobility has much in common with the previously utilized framework of "health and housing."

In the Urban Institute and Enterprise paper, one suggested metric of housing quality, as a mechanism for upward mobility, is the average blood-lead level among children under six years old. Banned for residential use in 1978, lead paint (and dust) can inhibit children's development. Data are available for that metric at the county level for both New York and New Jersey, as of the year 2017, from the Centers for Disease Control.[6] *Table 1* below shows the then counties across both states with the highest number and highest percentage of children above the lead reference value of five micrograms per deciliter (μg/dL), used to identify children with blood lead levels that are much higher than most children's levels.

Table 1: County-level summary of Childhood Lead State Surveillance Data – 2017 data, processed in 2019

	Children with Confirmed BLLs ≥ 5 μg/dL		Percent of Total Population of Children <72 Months of Age
Erie County, NY	1,130	Fulton County, NY	13.4%
Essex County, NJ	1,107	Oneida County, NY	11.7%
Oneida County, NY	519	Montgomery County, NY	10.5%
Onondaga County, NY	482	Columbia County, NY	7.2%
Hudson County, NJ	458	Lewis County, NY	6.0%
Passaic County, NJ	412	Erie County, NY	5.6%
Westchester County, NY	404	Herkimer County, NY	5.4%
Monroe County, NY	403	Chenango County, NY	5.2%
Union County, NJ	264	St. Lawrence County, NY	5.0%
Albany County, NY	236	Albany County, NY	5.0%

The absolute number of children with elevated lead levels is distributed across both states, primarily in urban areas, whereas by percentage the figures are most startling in less concentrated areas of Upstate New York. The proportion of affected children in these areas greatly exceeds that in Essex County, NJ (including Newark), at 4.2% of children.

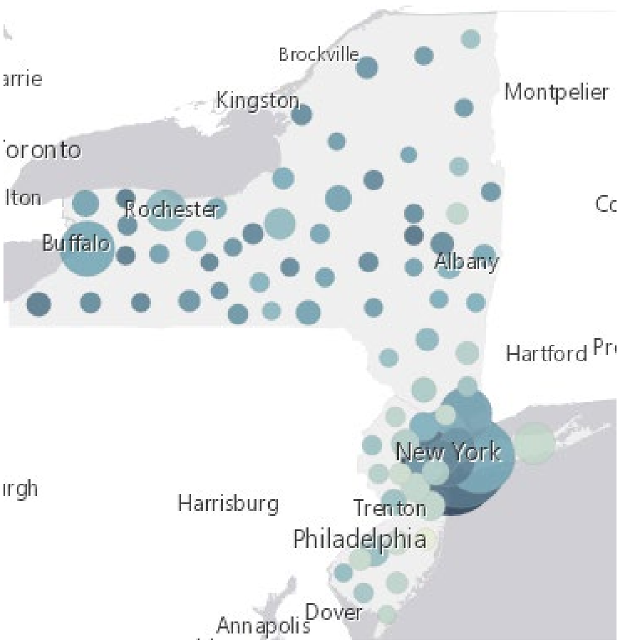
In recent interviews with FHLBNY staff, non-profit organizations in Utica, New York (Oneida County) and nearby areas highlighted the challenges of addressing lead in homes, with high costs and little available funding for full-scale abatement efforts.[7] High cost per unit rehabilitation needs such as lead, according to these experts, are rarely prioritized by funders or organizations and are likely to persist, especially in homes constructed many decades ago.

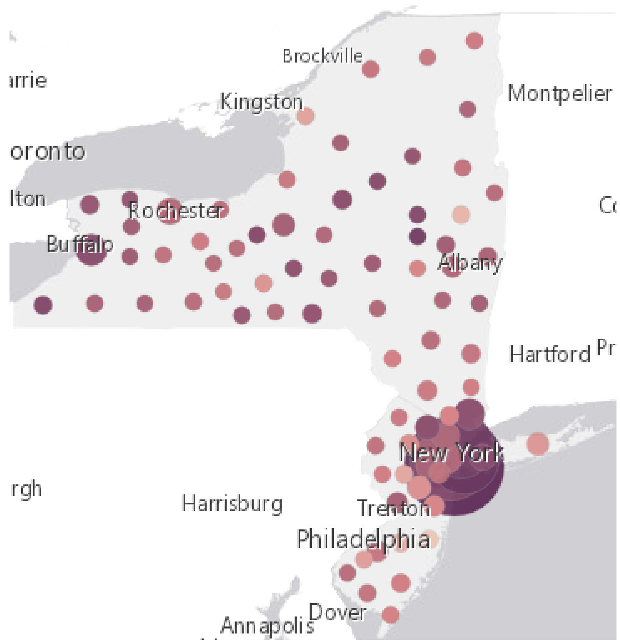
The age of housing units can also be a contributing factor to mobility in several ways, from direct effects on health (not only lead, but also mold and air quality generally) to persistent and occasionally emergency repair needs that drag on affordability. According to the Census Bureau's American Community Survey, displayed in *Figure 4* below, certain areas of the district stand out for their aging housing stock.[8] (Puerto Rico is included in the ACS; the U.S. Virgin Islands is not covered by the ACS, and data regarding housing are generally less accessible for that territory.)

In particular, a significant portion of both owner-occupied and rental housing in Upstate and Western New York is aging: In the relatively rural counties of Montgomery, Orleans, Chautauqua and Wyoming, about half or more of owner-occupied homes were built prior to 1950 and over 60% of rental units were built before 1970.

In New Jersey the issue is most prevalent on the rental side. However, two counties stand out for both owner-occupied and rental: A total of about 100,000 homes were built before 1950 in Hudson (Jersey City) and Essex (Newark) combined, and about 100,000 rental units in each of those counties predate 1970. Aging housing in New York City is of high concern both in absolute terms and proportionately, with the exception of owner-occupied housing in Staten Island.

Figure 4: Tenure by year structure built by county for owner-occupied units (left) and rental units (right)





Note: Bubble size corresponds to number of units in a given county constructed before 1950 (owner-occupied) or 1970 (rental), and bubble shading represents the percentage of units of that age, with darker shading reflecting a higher percentage.

Not shown on the above maps is the situation in Puerto Rico, also captured by American Community Survey data. Those data suggest that except for aging rental housing in San Juan, the homes in the other municipios in the territory are of relatively newer construction. However, as the experience of 2017's Hurricanes Irma and Maria demonstrated, construction quality and resiliency may not be directly tied to the age of a building. That makes building age an imperfect metric for the risks to and burdens on people living in low-quality, informal housing in disaster-prone areas.

The need for resiliency to extreme climate events resurfaced tragically during the drafting of this Plan, as the New York City area and coastal New Jersey were struck by remnants of Hurricane Ida in early September 2021. According to reports, at least 11 likely lower income people were killed when their basement apartments flooded.[9] This highlights how issues of housing quality can exacerbate issues of neighborhood context (discussed below), just one of many connections made clear in the mobility framework.

Lastly, the Urban Institute and Enterprise paper does not recommend a metric for assessing the quality of public housing units, but that is certainly a high-priority issue in the district, as discussed in previous Plans. The New York City Housing Authority, in the early stages of implementing the mandates of a federal monitor, has been hit with a significant drop in revenue during the pandemic, further driving up deficits and likely prolonging the process of meaningfully responding to health and safety and general livability concerns.[10]

2. Housing affordability

Housing affordability is an easily understandable mechanism for upward mobility: Can I make rent this month? Can I do so with enough to spare for other bills and necessities? Can I do so and also put some aside for emergencies and priorities in a longer-term plan?

The Urban Institute and Enterprise paper suggests looking at two key aspects of affordability: housing cost burden and crowding. Industry experts rely on the Census Bureau's ACS to estimate the share of families spending more than 30% of their income on housing ("rent burdened") and more than 50% on housing ("severely rent burdened"). Each year the National Low Income Housing Coalition (NLIHC) produces a pair of reports analyzing those data, among other sources, calculate the scale of the need for affordable housing at the state and more local levels.

In the first of these reports, the organization concentrates on the burdens faced by renters at or below 30% of the area median income. *Table 2*: Affordable and available rental units per 100 households by state below shows notable estimates for New York and New Jersey.[11] (Puerto Rico is not included in this report.)

Table 2: Affordable and available rental units per 100 households by state

		New York	New Jersey
Surplus (Deficit) of Affordable and Available Units	At or below ELI	(609,225)	(205,285)
	At or below 50% AMI	(647,914)	(265,191)
Affordable and Available Units per 100 Households at or below Threshold	At or below ELI	37	32
	At or below 50% AMI	56	47
	At or below 80% AMI	87	91
	At or below 100% AMI	97	99
% Within Each Income Category with Severe Housing Cost Burden	At or below ELI	70%	71%
	At or below 50% AMI	34%	35%
	At or below 80% AMI	8%	6%
	At or below 100% AMI	4%	2%

Note: ELI refers to extremely low income, meaning at or below 30% of the area median income.

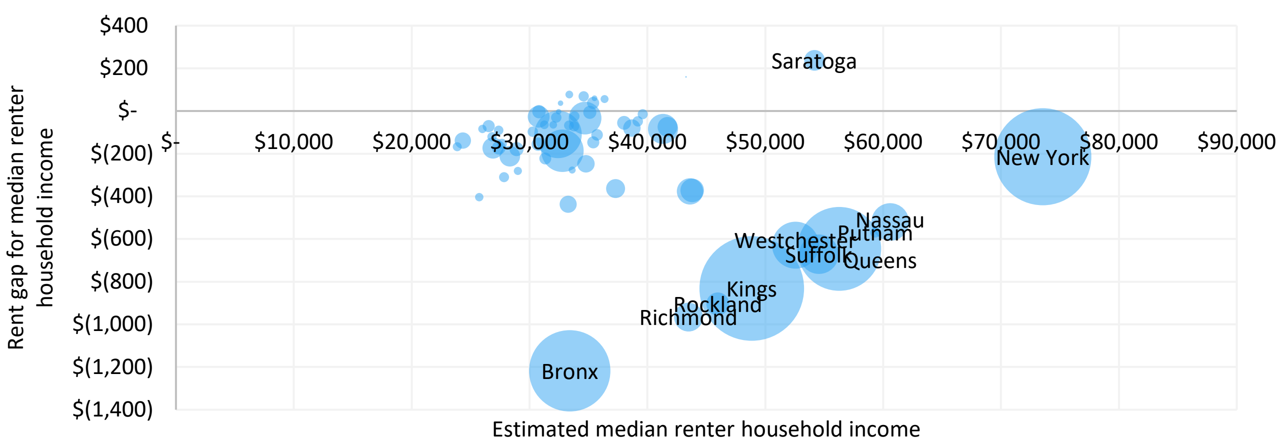
As the figures show, there is a severe deficit of affordable rental units in New York and New Jersey for low- and extremely-low-income households. For the extremely low-income group, each household is competing with two others for every affordable and available unit. And nearly three-fourths of those households are spending over half of their monthly income on housing. The NLIHC cautions against comparing figures year-to-year because of changes in the methodology, particularly with regard to fair market rents. Even looking at just these figures, though, there is no doubt that the lowest income populations in the district are in a housing crisis.

A second annual NLIHC report, called Out of Reach, allows for a deeper understanding of where, specifically, the pain is most acute.[12] *Figure 5, Figure 6* and *Figure 7* show calculations based on the NLIHC data at a county level for New York and New Jersey and for the metropolitan areas in Puerto Rico. These graphs show the relationship between the median renter household income (x-axis) and the difference between the fair market rent for a two-bedroom apartment in that county and the median income. In a sense, it shows the gap, *each month*, for average renters if they spend the industry-benchmark of 30% of income on housing. Households below the x-axis, on average, are likely spending more of their income on housing to close the gap and/or foregoing other spending or saving.

In New York, the most significant rent gaps are for households in New York City (with the exception of Manhattan) and the neighboring, high-income areas just north of the city and on Long Island. In the Bronx, the fair market rent for a two-bedroom is $2,053 per month, and the estimated median annual income for renters is $33,410, which translates to an affordable monthly rent of $835. Elsewhere in the state, there is closer alignment between rents and income (though of course sufficient numbers of units may not be available).

Another notable statistic is the relationship between the rent gap and the estimated income. In the Bronx, the rent gap is 44% of the average monthly income for renters. What that means is for the average renter household, after spending 30% of income on housing each month, there is still a gap of 44% of income – without taking into account other necessary expenses. The proportions are lower but still remarkable in other areas, including above 20% in several of the higher-cost counties.

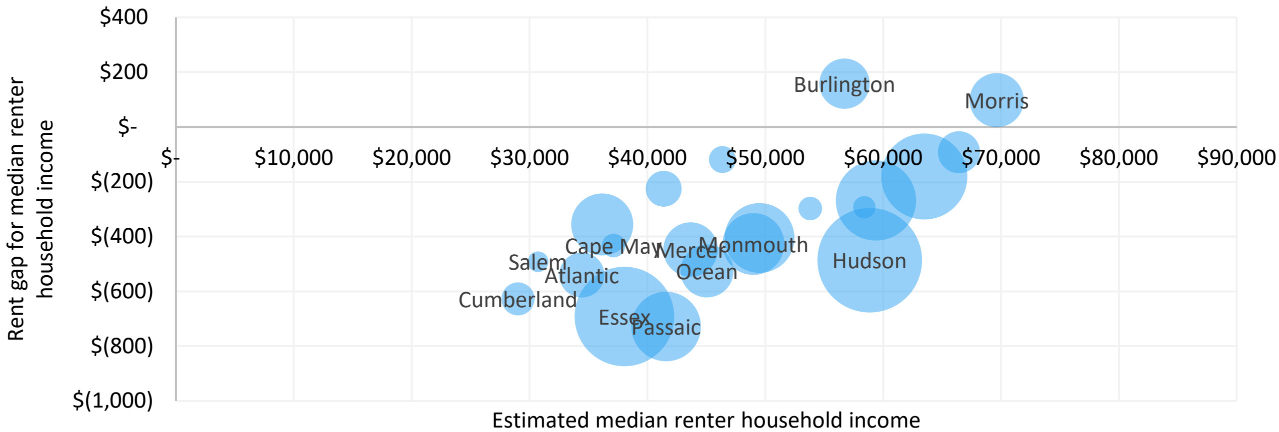
Figure 5: Difference between fair market rent for 2BR apartment and median renter income in New York counties



Note: Bubble size corresponds to the estimated number of renters.

In New Jersey the situation is similar: In Essex County, with Newark and the Oranges, the rent gap is nearly $700 per month, and slightly higher in nearby Passaic County, just outside of New York City.

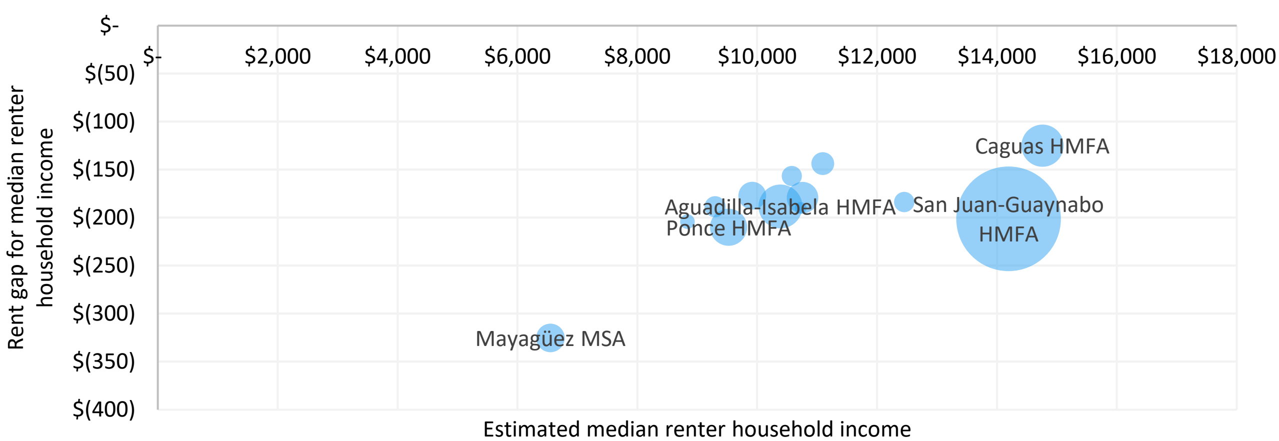
Figure 6: Difference between fair market rent for 2BR apartment and median renter income in New Jersey counties



Note: Bubble size corresponds to the estimated number of renters.

In Puerto Rico the absolute values of the rent gaps are smaller, but again note the gap as a proportion of income in the Mayagüez metropolitan area: 60%, meaning that many households are spending nearly all income on housing, effectively preventing any opportunities for mobility.

Figure 7: Difference between fair market rent for 2BR apartment and median renter income in Puerto Rico metro areas



Note: Bubble size corresponds to the estimated number of renters.

When appropriate rental housing is either unaffordable or unavailable, households' response is to double-up, stay in household formulations longer, or otherwise have more individuals in a given housing unit than is comfortable or conducive to privacy, safety, and wellbeing. The metric for severe crowding suggested by the Urban Institute and Enterprise researchers is the prevalence of units occupied with more than 1.5

individuals per room. That benchmark translates to more than two adults and two children in a two-bedroom apartment.

Table 3 below shows the crowding data from the ACS in the counties in the district with the highest degree of severe crowding among renter-occupied units.[13] Across these ten counties, mostly in New York City and surrounding areas, over 114,000 renter units are severely crowded, and approximately 150,000 are severely crowded across all of New York, New Jersey and Puerto Rico. Of note is the degree of crowding in Cumberland County, in southern New Jersey, one of that state's smallest and lowest-income areas.

Table 3: Estimates of renter occupied units with 1.51 or more occupants per room

	Number of renter units severely crowded	Proportion of renter units severely crowded
Cumberland County, New Jersey	1,335	7.6%
Essex County, New Jersey	9,407	5.7%
Bronx County, New York	22,420	5.4%
Queens County, New York	22,855	5.2%
Richmond County, New York	2,528	4.4%
Kings County, New York	29,746	4.3%
Westchester County, New York	4,582	3.4%
New York County, New York	19,955	3.4%
Putnam County, New York	222	3.1%
Rockland County, New York	983	3.0%

The ACS data also include estimates of crowding by race. As *Table 4* below shows, crowding is more likely to affect Black-headed households than white-headed households. These figures are for crowding, or 1.01 or more occupants per room, and include both renter- and owner-occupied units. Perhaps surprisingly, the biggest disparities by race are not in large urban areas. In those areas of the district, crowding appears to be more a reflection of income.

Table 4: Estimates of units with 1.01 or more occupants per room by race

	Proportion of crowding among White headed households	Proportion of crowding among Black headed households	Gap between share of White and Black crowded renter households
Sullivan County, New York	2.2%	25.3%	23.1%
Cumberland County, New Jersey	1.0%	11.5%	10.6%
Oneida County, New York	1.4%	9.2%	7.8%
Onondaga County, New York	0.7%	5.8%	5.1%
Rockland County, New York	5.5%	10.5%	5.0%

Like industry experts elsewhere, the members of FHLBNY's AHAC, over several regular meetings and focus group discussions in 2021, emphasize that to a large extent the needs regarding affordability are caused by a substantial undersupply of housing in general and affordable housing in particular. The AHAC members report that the pace of supply is unlikely to accelerate in 2022 due principally to lingering cost increases for both materials[14] and supply. These increases in the cost of development have forced projects already underway to undergo financial engineering, potentially limiting the degree to which they can serve the lowest-income populations and forcing delays and real costs caused by additional rounds of underwriting or municipal reviews. Even where the market prices for some materials may have dipped, according to AHAC members, a general perception of uncertainty is keeping costs high for developers since suppliers are locking in high prices in contracts to hedge against potential fluctuations. Hence there is little reason to expect the intense need for affordability to abate in 2022.

3. Housing stability

The Urban Institute and Enterprise researchers identify housing stability as another building block for mobility, with a sense of predictability providing a financial and psychological basis for accessing resources and making decisions about future opportunities.

The researchers recommend assessing student turnover within a particular school district as a way to measure housing stability. Neither New York nor New Jersey's education department reports this statistic, but they do report the number of students in kindergarten through 12th grade who reported being homeless at least one night during the previous school year. As the researchers conclude from the available literature: "Frequent moves are associated with higher maternal distress and parenting stress, which can affect the stress and well-being of children…For children, frequent moves and school changes can disrupt their education and ability to keep up academically and socially."

In New York State, the number of homeless students decreased in each of the two years prior to the COVID-19 pandemic, from a total of 152,561 in the 2017-2018 school year to 148,554 in the 2018-19 school year and 143,533 in the 2019-20 school year, or about a 3% reduction each year.[15] The most marked reductions were in districts (and charter schools) outside of New York City, though even the numbers in New York City decreased by 0.5% and 2.2% between those periods (three-quarters or more of the homeless students are in the city) . It is difficult to make use of data at a deeper geographical level without understanding the local dynamics. For example, there were about half as many homeless students in the Putnam-Northern Westchester region in 2019-20 as in 2017-2018, but about a 20% increase in the neighboring Rockland region. Should those changes be attributed to local policies and spending on social services or to luck, or may those fluctuations actually involve the same families, meaning there is little actual change in the prevalence of homelessness in the area? What is clear is that despite recent gains, homelessness among school children remains at an extremely high level in the state.

In New Jersey there are many fewer homeless students, at just over 11,000 in the 2019-20 school year, or about the same proportion of overall enrollment as in the two previous years.[16] (New Jersey reports students who lack a fixed, regular, and adequate nighttime residence as homeless, as opposed to New York's usage of any occurrence during a school year, so comparisons between the two states' figures are not clear and easy.) By number, the largest share of homeless students attends the urban districts of Newark, Edison, Paterson, Jersey City, Trenton, Elizabeth and Camden, but by proportion the highest rates of homelessness are in districts in those cities' surrounding towns (Mansfield Township: 11% of total enrollment; Westville Boro: 9%; Elk Township and Lindenwold: both 8%) and on the Jersey Shore (Seaside

Heights: 12%; Middle Township: 8%). While the absolute numbers are lower than in New York, these figures suggest that in many New Jersey communities mobility is constrained by housing instability.

Looking at the incidence of homelessness more generally, the most readily available statistics are from the annual Continuum of Care Point-In-Time counts of sheltered and unsheltered people, compiled, albeit with a lag, by the Department of Housing and Urban Development (HUD). These counts have their limitations, as discussed in previous versions of the Targeted Community Lending Plan, but their regularity and granularity make them helpful resources for policy purposes. HUD also compiles an annual Housing Inventory Count of services offered by the Continuums of Care, designated networks of community organizations representing specific geographic areas.[17]

Table 5 and *Table 6* below show some of the HUD compilations for New York and New Jersey, respectively. The tables allow for a comparison between the level of need for individuals and families and the availability of relevant housing for those populations. The statistics for permanent supportive housing were chosen because that model is widely regarded in the industry for its effectiveness and value, according to a recent, large-scale impact evaluation.[18]

Table 5: Selected figures from HUD Point-in-Time and Housing Inventory Counts: New York State

	2018	2019	2020
Sheltered: Households without children	31,856	34,292	35,174
Sheltered: Households with children	16,474	15,989	15,266
Unsheltered: Households without children	4,248	4,031	4,534
Unsheltered: Households with children	19	5	6
Permanent Supportive Housing: Adult-Only Beds	31,511	34,336	34,671
Permanent Supportive Housing: Family Units	3,687	3,734	4,306

The counts of sheltered and unsheltered homeless individuals do not include the occupants of the permanent supportive housing. This means that in New York, there are about the same number of homeless individuals without children in shelters as there are recently homeless individuals currently occupying the available supportive housing. For households with children in New York, the figures suggest a "waiting list" four times as long as the number of existing (though occupied) units. In New Jersey the absolute numbers are lower but the gap in services is comparable: about a 100% deficit in permanent supportive housing for both individual adults and households with children.

Table 6: Selected figures from HUD Point-in-Time and Housing Inventory Counts: New Jersey

	2018	2019	2020
Sheltered: Households without children	4,352	4,317	4,571
Sheltered: Households with children	1,112	1,017	1,099
Unsheltered: Households without children	1,531	1,403	1,668
Unsheltered: Households with children	16	9	26
Permanent Supportive Housing: Adult-Only Beds	4,182	3,791	4,210
Permanent Supportive Housing: Family Units	1,080	1,442	1,660

The need for homeless housing in Puerto Rico and the U.S. Virgin Islands is comparatively less than in New York and New Jersey. According to HUD compilations, the sheltered population in Puerto Rico in 2020 was 463 households, with 1,773 unsheltered households; in the U.S.V.I., there were 72 sheltered households and 232 unsheltered households, all households in both categories without children. (In both territories, curiously, the unsheltered figures are identical with those from 2019.) While the need is lower, there is still a gap with the available housing. In 2020 Puerto Rico had 1,386 adult-only beds in permanent supportive housing and 147 family units, and in the U.S.V.I. there were 45 adult-only beds and no family units.

These figures predate the likely impact of the pandemic on the need for housing for homeless individuals and families. The number of applications flowing into the ongoing emergency rental assistance programs, despite the reported challenges with bureaucracy, technology, awareness and incentives, shows that both a) instability is real and deeply felt today, and b) when state-level eviction moratoria do eventually lapse (at the end of 2021 in New York and New Jersey, as of the writing of this Plan), many renters in the district will face urgent needs to forestall homelessness.

As of August 31, New York State's program had received 182,528 applications from renters, approved 71,237 of those applications, and made payments to 23,128 landlords on behalf of the approved renters.[19] Including the seven communities in the state that are running their own programs, the total paid was $325 million for just under 28,000 households, or $11,700 per renter.[20] At the time of writing, a $2.7 billion had been allocated for the program from the federal and state government.[21]

New Jersey does not maintain a public dashboard for its program[22], but according to the figures it reports monthly to the Treasury Department, the state had disbursed $318 million for about 39,000 households, or $8,216 each, as of August 31. (No Treasury data are available for Puerto Rico, and the U.S.V.I. figures show just 16 households assisted.)

Researchers from the Federal Reserve Bank of Philadelphia recently estimated pandemic-related rental debt, prior to the distribution of emergency rental assistance.[23] *Table 7* below shows the estimates for New York and New Jersey.

Table 7: State rental debt estimates - August 2021

	Share of renter households in debt	Thousands of renter households in debt	Millions of dollars of debt	Average debt
New York	6.1	155.6	$1,429	$9,200
New Jersey	4.7	44.0	$384	$8,700

However, industry experts consulted for this Plan said these calculations are likely underestimates and emphasized that even if fully utilized, the approved rental assistance funding is insufficient to address the true level of need. The Partnership for the Homeless, a New York City non-profit involved in rent relief efforts, estimated that just half of the need would be covered by the program at the current level of funding.[24]

And based on a survey of owners and operators of rent-stabilized units, Community Housing Improvement Program, another New York non-profit, issued a report stating that just one-third of renters who are two months or more behind on their rent have applied for emergency assistance, meaning that between 259,000 and 309,000 renters statewide, with arrears totaling between $3.4 billion to $5.2 billion, have not applied.[25] This group's communications director suggested national studies, such as the Philadelphia Fed's, are good starting points but need supplementary, on-the-ground evidence about actual non-payment behavior.[26]

These advocacy groups and others are pressing state and national leaders to address the funding gap prior to the expiration of the eviction moratoria.

There are also significant present and future pandemic-accelerated burdens for homeowners in the district, a group that has gotten less attention. Both New York and New Jersey are just preparing to launch their homeowner support programs, companions to the rental relief efforts, in September 2021.

New York State Homes and Community Renewal, in its submission to the Treasury Department in June, estimated that 1,020,000 homeowners with a mortgage could be eligible for relief, as well as 900,000 homeowners without a mortgage (who could instead receive help with tax or utility payment arrears), 78,000 co-op owners, and 48,000 owners of manufactured homes.[27] These figures capture at-risk households at or below 100% of the area median income and those up to 150% of area median income in several socially disadvantaged categories.

For further context, the research firm Black Knight estimates that 4.7% of mortgages in New York are delinquent and 4.6% in New Jersey – figures about in the middle of the pack nationally but representing a substantial number of borrowers.[28]

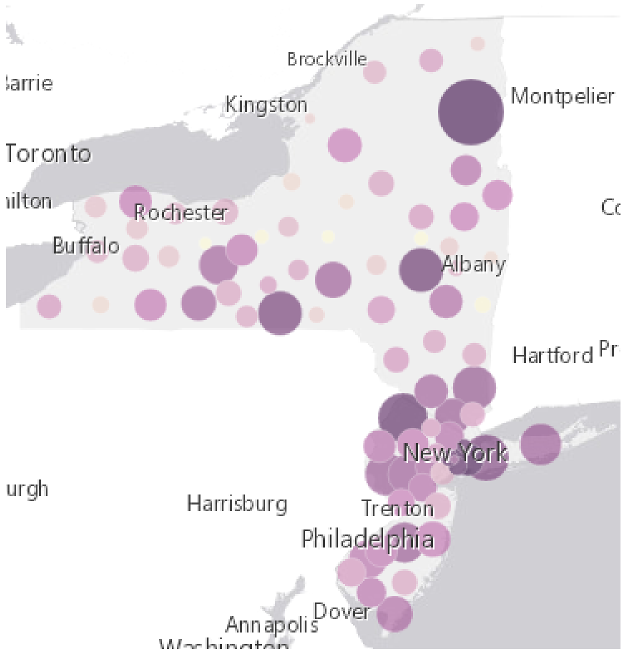
Given that the moratoria are in place, data on eviction and foreclosure filings (at least in terms of filings for inability to pay) are not indicative of the status of housing stability in the district. But those figures will be more meaningful in 2022.[29] Future Targeted Community Lending Plans will make use of that information to more fully describe the challenges of housing stability.

4. Housing that builds wealth

In this mechanism for mobility, the Urban Institute and Enterprise researchers turn to homebuying opportunities – are renters able to make the leap to ownership in order to build equity for their own needs and potentially for their children's benefit, as well?

The researchers suggest using the disparity in the homeownership rate by race and ethnicity as a metric for asset-building opportunity. Areas with low variances between White- and Black-lead households, according to this line of thinking, are more likely to support renters just on the cusp of homeownership. The map in *Figure 8* shows the gap between the homeownership rates by county in New York and New Jersey (darker coloration corresponding to a smaller gap), as well as the relative levels of Black homeownership (larger bubble size corresponding to a higher rate of Black homeownership).[30] This means that the counties depicted with light-colored, small bubbles have both a large gap between the White and Black homeownership rates and a low level of Black homeownership.

Figure 8: White and Black Homeownership by County



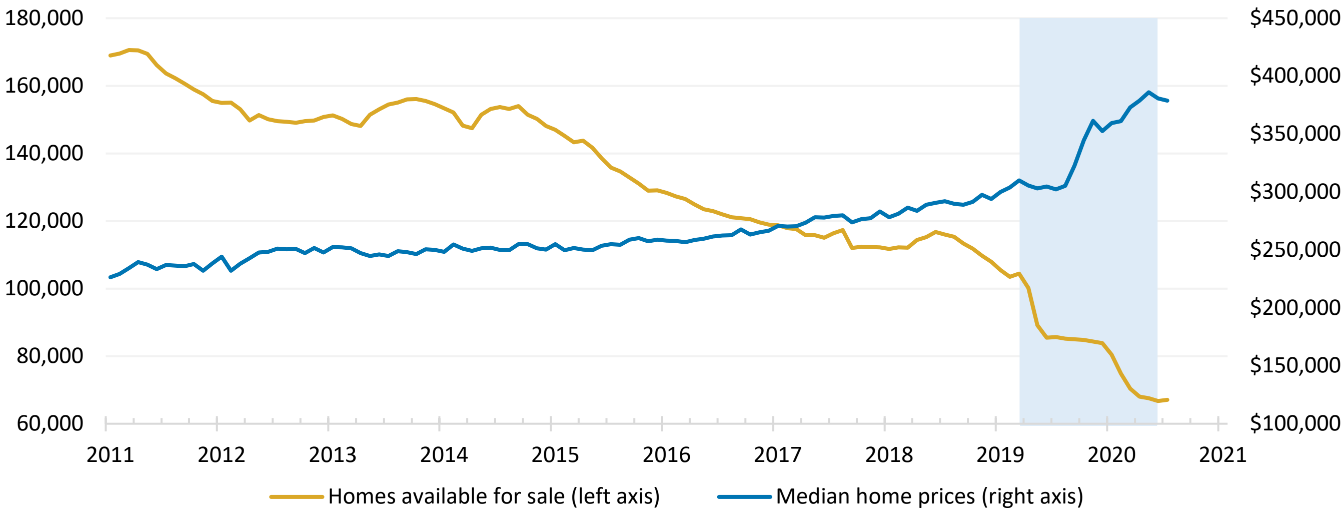
Note: Bubble shading corresponds to the difference in homeownership rates among White- and Black-led households (darker color means less difference); bubble size corresponds to the Black homeownership rate (larger size means higher rate).

As the map shows, the greatest differences are in areas of Upstate and Western New York. In Madison County, the White homeownership rate is 78%, compared with 17% for Black households; in Ontario County, the figures are 76% and 16%; and in Montgomery County, they are 74% and 19%. Over a dozen other Upstate and Western counties have gaps exceeding 40 percentage points, whereas just two New Jersey counties, Monmouth and Passaic, have gaps exceeding 35 percentage points. Even where the gap is smaller, though, obstacles to Black homeownership are substantial. In just 18 counties in both states combined is the Black homeownership rate greater than 50% (and 10 of these counties are rural areas with fewer than 1,000 Black-household-occupied units total), compared with 78 counties (out of 83) where White homeownership exceeds 50%.

There is little prospect that these disparities will lessen during 2022, and little evidence that the pressures on prospective low- and moderate-income homebuyers in general will ease. The previously mentioned interviews with FHLBNY members, as well as discussions with housing counseling agencies and the AHAC, revealed that in nearly all regions within the district, the pandemic has accelerated the competitiveness of the home purchase market, in many cases fully excluding the households that are the target of the Homebuyer Dream Program.

FHLBNY Financial Economist Brian Jones compiled recent data on home sales and inventory, shown in *Figure 9*.[31] The principal finding, Mr. Jones said in an early September webinar to FHLBNY members, is "There is essentially nothing to buy."

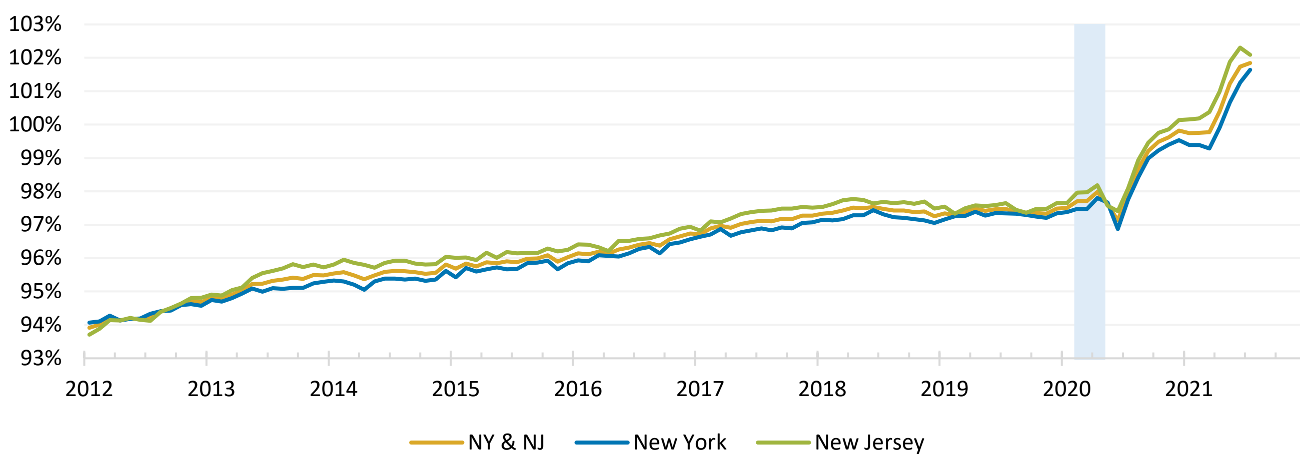
Figure 9: Homes available for sale and median sales price in New York and New Jersey as of July 2021



Note: Shaded areas denote recessions.

District stakeholders reported a homebuying season in 2021 typified by dozens of offers for each home on the market, potential buyers agreeing to forego home inspections and being asked to provide deposits, and first-time buyers being outbid on property after property by all-cash offers well in excess of the asking price. *Figure 10* below provides statistical support for that anecdotal evidence. Especially at the lower end of the market, in many areas for homes in the $200,000 or $300,000 range, households with fewer assets, or with anything out of the ordinary in their offers (such as a contingency for receiving a grant, or a recent change in employment) could not buy a home.

Figure 10: Percent of listing price received on home sales (seasonally adjusted) as of July 2021

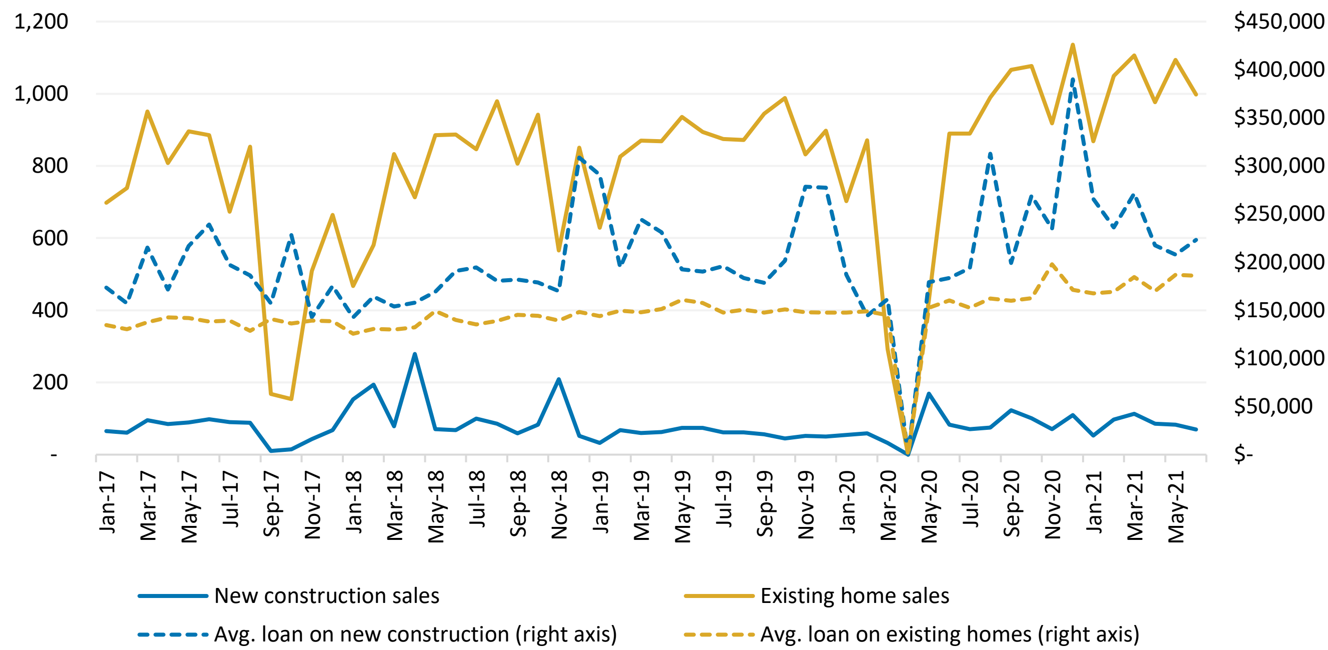


Note: Shaded areas denote recessions.

The AHAC members, some of whom lead counseling agencies, expressed concerns that for the small number of low- and moderate-income households who have been able to purchase a home, the inflated values mean that those households will be financially unable to do any necessary home repairs, whether now or in the future, a particular concern with the aging housing stock in certain areas. And when prices ultimately dip, highly leveraged first-time homebuyers may be underwater with their mortgages.

Consultations with a FHLBNY member in Puerto Rico suggest that the territory has not been immune to these dynamics in the housing market. *Figure 11* below shows data on home purchase activity in Puerto Rico.[32] (Note the absence of activity during Hurricanes Irma and Maria in 2017 and the onset of the COVID-19 pandemic.) During the period covered by these data, there has been very little new construction at all, under the level needed to make a significant contribution to the stock of available housing. Further, because various federal and local foreclosure moratoria have been in place, there have been no foreclosed homes on the market, further limiting supply. And this period has seen a steady climb in prices, preceding and extending through the pandemic.

Figure 11: Mortgages issued for home purchase in Puerto Rico from Jan. 2017-June 2021



The pandemic has accelerated similar pre-existing challenges in the U.S. Virgin Islands. A broker in St. Croix reported that higher income households, able to work remotely, are further driving up prices as they relocate to the territory from the states.[33] Low- and moderate-income potential homebuyers may not be eligible for certain federal government-guaranteed loans if the property falls below building codes, and even if those program are available those households are not competitive making offers against potential buyers with conventional loan pre-approvals, who have the assets to make greater earnest money deposits.

Figure 12 shows steadily rising home prices in St. Thomas and St. Croix., in parallel with progressively higher sales-price-to-listing-price ratios, if not quite rising to the same level of competitiveness as in New York and New Jersey.[34] And Figure 13 shows how little of the market activity is at the low end. In the months of January through August of 2021, just 64 homes sold for less than $300,000, nearly equal to the 66 that sold for $500,000 or greater.

Figure 12: Home sales in St. Thomas and St. Croix

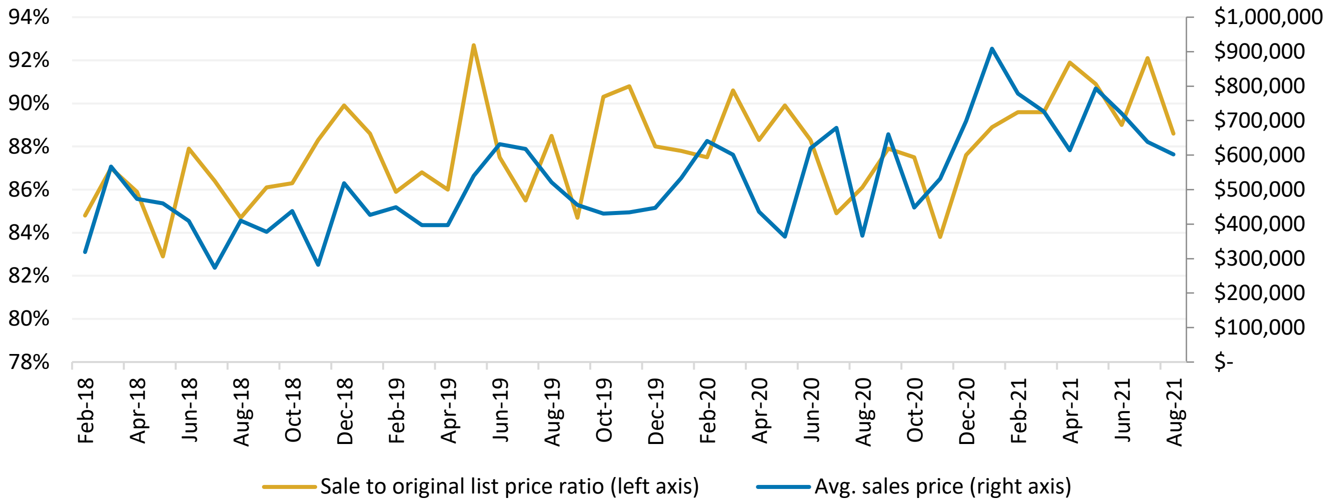
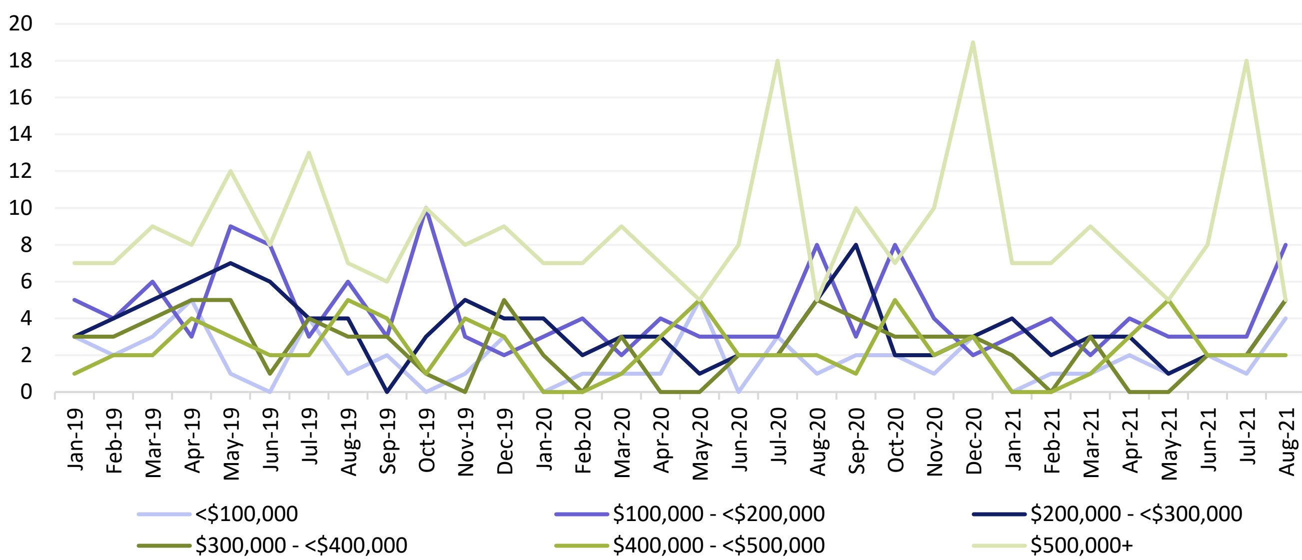


Figure 13: Sold listings per month by sales price in St. Thomas and St. Croix



Across the district, then, already scare opportunities to build wealth through homeownership have tightened during the pandemic.

5. Neighborhood context

The neighborhood context goal looks at how the *location* of housing provides opportunities, or minimizes barriers, for individuals and families. The Urban and Enterprise researchers review some of the more widely used indices of opportunity. Among the more common concepts captured are health, employment, transportation, and safety.

FHLBNY staff conducted a similar review during the development of the scoring criteria for the 2021 AHP round. That research reached several conclusions:

- Many of the concepts captured in a given index (e.g. poverty level, school quality, crime statistics) are inherently linked, and the research to date has been unsuccessful in isolating independent variables that should be prioritized;
- At the state or territory level, data sources are available to describe opportunity in a nuanced way that reflects the best judgement of local experts and practitioners, but those same sources may not exist or may differ substantially in another state or territory;
- State housing finance agencies have the capacity to offer multiple programs targeted at different types of housing, which is not the case for the FHLBNY at this time; and
- Comparing a given location to its immediate surroundings, rather than to a bigger-picture benchmark, often overstates or understates the level of opportunity as understood by local experts.

With those insights, the FHLBNY implemented under its scoring rubric a metric for High Opportunity Areas, defined as census tracts with a median family income equal to or exceeding 120 percent of the median family income of the state or territory. This metric lacks the precision available to the state agencies: for example, some of the highest income areas may be commuter towns instead of employment hubs, or they may have high levels of income inequality. That kind of detailed analysis can be done at the local level and is especially important for individual policy and development decisions. But for the FHLBNY, a more general, "rougher" concept of opportunity is more appropriate.

That general concept is helpful in taking a snapshot of neighborhood context in the district. *Table 8* below compares the recent issuance of Low Income Housing Tax Credit (LIHTC) awards in New York and New Jersey with AHP commitments in those states.[35] Note that in many cases the AHP makes awards to projects with LIHTC commitments, though not necessarily in the same funding year. So these figures are not mutually exclusive. Rather they show, in a general sense, where funding for large-scale affordable housing development and rehabilitation is directed, and where construction will be concentrated over the coming years, as the projects associated with these awards come to fruition.

Table 8: Number of project awards in High Opportunity Areas (120%+ of state median income) in 2019-2020

	In a High Opportunity Area	Not in a High Opportunity Area	Percent
New York State Homes and Community Renewal - 9% LIHTC	9	45	17%
New York City Department of Housing Preservation and Development - 9% LIHTC	2	15	12%
New Jersey Housing and Mortgage Finance Agency - 9% LIHTC	15	23	39%
FHLBNY Affordable Housing Program – NY & NJ only	24	56	30%
In New York State	6	41	13%
In New Jersey	18	15	55%

For the tax credit agencies, these figures encompass all 9% LIHTC programs offered in a given year, meaning family, senior, supportive housing or other funding rounds. The AHP, as discussed, serves all project types in a single annual funding round.

Like the AHP, both state-level tax credit agencies reward applications from projects located in what they define as areas of opportunity, utilizing metrics and data relevant to their jurisdictions. It is not clear from these figures if those incentives are making the creation and preservation of affordable housing in high opportunity areas more likely, but the figures do provide a tangible metric for evaluating how the market actors in the district are balancing goals related to mobility against other important goals, such as broad geographic access. They suggest that at present New Jersey is more effectively directing resources to higher income areas than is New York. (See previous Plans, in the appendix, for discussion of New Jersey municipalities' progress toward fair share housing requirements.)

Location determines the role of housing in mobility in many ways: Consider how areas that would generally not be considered high opportunity areas can put residents in physical danger and create other persistent challenges. Though it is not a frequently recurring data source, one recent research initiative is especially valuable for understanding climate risks to the housing occupied by the district's low- and moderate-income residents. Researchers from the Public and Affordable Housing Research Corporation and their collaborators at the National Low Income Housing Coalition analyzed project-based federally assisted properties (including those funded with Low Income Housing Tax Credit equity) in relation to the Federal Emergency Management Agency's National Risk Index.[36] They found that New York and New Jersey were two of ten states with more than 50,000 federally assisted rental units in census tracts with very high or relatively high risk ratings (a composite of risks from tornadoes, flooding, hurricanes, earthquakes and wildfires).

Disaggregated data shared by the researchers reveal that the highest risks are concentrated in New York City and other large urban, coastal cities in the district that have high numbers of subsidized units. But the rural areas of Jefferson, St. Lawrence and Franklin counties see threats from ice storms (over 4,000 subsidized units across these counties are at relatively or very high risk) which are compounded by the housing quality issues discussed above. This is just one of the many connections across the components of the upward mobility framework.

The study also looked at disparities in climate risk by race: Among White headed households receiving rental assistance in New York, 28% are located in areas with relatively high or very high risk ratings, whereas the figure is 59% of households headed by a person of color. In New Jersey, it is 31% for White households and 72% for households headed by a person of color.

While most of the LIHTC and AHP funding goes toward rental projects, the home purchase market can also be measured in terms of opportunity. The sections above discussed the challenges regarding the affordability of homeownership. The available evidence suggests these are particularly pronounced (even prior to the COVID-19 pandemic) in higher income areas of the district. *Table 9* below shows the most recently available data on Fannie Mae and Freddie Mac acquisitions of mortgages with borrowers like those eligible for the HDP.[37]

Table 9: GSE mortgage acquisitions of single-family homes purchased by first-time homebuyers at or below 80% of the area median income in 2019

	New York	New Jersey	Puerto Rico	U.S. Virgin Islands
Mortgages in a High Opportunity Area	2,486	1,252	29	3
Mortgages not in a High Opportunity Area	8,833	7,434	38	-
Percent	22%	14%	43%	100%

These figures exclude mortgages retained by lenders and those sold to the Federal Home Loan Banks or other parties. But they suggest that low- and moderate-income households were unlikely to be successful purchasing a home in a high opportunity area. Future versions of the Targeted Community Lending Plan may be able to replicate this analysis to better understand the period of homebuying during the pandemic.

Like the other factors contributing to upward mobility, neighborhood context remains an area where significant policy attention and investment is needed across the district.

2. Market Opportunities

The 2021 Targeted Community Lending Plan connected the identified credit and affordable housing needs in the district with significant programmatic changes and product launches planned for the coming year. For the Affordable Housing Program, the implementation of a new regulation from the Federal Housing Finance Agency allowed for much-needed update to the scoring criteria used to rank project applications. For the Homebuyer Dream Program, the Plan described how feedback from FHLBNY members spurred a new approach to deploying program funds more in line with the homebuying cycle and the profile of target homebuyers. And the Plan explained how the ongoing Small Business Recovery Grant program and the planned Business Development Advance were tailored to the needs of the moment, where small businesses and local non-profit organizations faced a new economic reality and could leverage relationships with FHLBNY members to stay afloat.

Now with the mobility framework for describing district needs, it is worth revisiting, in brief, the policy rationale for some key FHLBNY program attributes*.* *Table 10* below shows which programs, and which attributes of those programs, are intended to help members and their community partners respond to the credit and affordable housing needs. Note that most of the data regarding district needs predate several of the program attributes mentioned below. So the preceding sections should be read not as measurements of the programs' impact but rather as further evidence supporting recent programmatic decisions.

Table 10: District needs and FHLBNY policies

Identified needs	**FHLBNY programmatic responses**
Credit needs	The Community Lending Programs (including the planned Business Development Advance) provide the FHLBNY membership with competitively-priced liquidity to make credit available to community partners on affordable terms while still earning a meaningful margin. FHLBNY members earn a dividend on discounted borrowing, as with normally-priced advances, meaning these programs may be attractive even in low-rate environments. The Homebuyer Dream Program supports the credit needs of members' customers by providing a grant that can make them more competitive in the homebuying market and preserve their savings for unexpected shocks. (To the extent that the grant is used for down payment, it can make them a better credit risk, too.)
Affordable housing needs	
Housing quality	The scoring criteria used to rank project applications to the Affordable Housing Program is designed to offer many potential paths to receiving an award. Rehabilitation projects in general receive a high points-boost, and there are also standalone bonuses for owner-occupied projects and small (25 units or fewer) projects. In the 2021 round, the program introduced a Green Building Innovation category, which rewards deep capital investments in the quality of units, lowering energy costs and the carbon footprint. In addition, recent FHLBNY outreach efforts have focused on rural non-profit housing organizations as well as urban services organizations helping to retrofit unsafe basement dwellings affected by Hurricane Ida.

Identified needs	FHLBNY programmatic responses
Housing affordability	The largest single scoring category for the AHP rewards projects that target a high proportion of their units to very low income residents, and in 2021 the FHLBNY added a supplementary boost to projects that support extremely low income renters. Projects' affordability promises must be kept for the duration of a 15-year retention period (for rental projects), and significantly longer in the case of projects also receiving Low Income Housing Tax Credit equity. On the homeownership side, the HDP's underwriting standards, along with the members' commitment to the low- and moderate-income segment, ensure that income-eligible households can afford their new homes and remain in them.
Housing stability	AHP scoring categories for projects providing housing to formerly homeless households and for supportive housing were increased in value for the 2021 round. FHLBNY staff continues to engage with district membership organizations concerned with supportive housing and make presentations at various meetings and conferences. And in 2021 the FHLBNY made significant charitable contributions to high-quality organizations working to prevent homelessness.
Housing that builds wealth	The AHP's scoring category for owner-occupied housing, previously mentioned, helps projects led by Habitat for Humanity affiliates, among other groups, be competitive against larger sponsors (and these projects tend to be more reliant on AHP funding, too). The small-projects category provides a further boost to these sponsors and their projects. The Homebuyer Dream Program, by providing down-payment and closing-cost assistance, allows homeowners to make competitive offers and, if successful, retain their savings to make essential repairs or use for long-term financial plans.
Neighborhood context	Two other AHP scoring categories – one explicitly for High Opportunity Areas and the other for mixed-income housing – can work individually or in tandem to boost certain project types and hence make them more financially feasible. The category for preservation projects helps preserve the stock of affordable housing previously developed in higher-income areas, a less-costly and less-controversial proposition, typically, than new development. Additionally, FHLBNY outreach to the housing finance agencies in the district in part helps align priorities and standards, meaning that if tax credit funding is going toward higher-income areas, the AHP can likely help close funding gaps driven by high development costs.

Again, the 2021 Plan, available from a link in the appendix, provides extensive documentation to support the connections in the above table, as well as the policy rationale for a fuller list of program attributes.

No repositioning of the programs and products is planned for 2022 comparable to that for 2021. The FHLBNY will monitor and assess the utilization of its current offerings, incorporating the insights gained from the development of this Plan. The efforts described here are in line with the overall FHLBNY strategy, of which a new three-year cycle begins in 2022. Some may make considerable headway quickly, while others will come to fruition later in the strategic period.

First, the FHLBNY will undertake several complementary efforts aimed at increasing internal capacity. New technology solutions have recently been developed for the core community investment programs, and these systems allow for better data management, more sophisticated analysis and reporting, and reduced operational burdens for not only staff but also counterparts at FHLBNY members and community partners. In 2022, the various program teams will continue to develop practices and procedures to take full advantage of these new capabilities. Additionally, given the interconnected nature of the core programs (consider that an analysis of household income and supporting documentation is common across programs), the FHLBNY will continue cross-training initiatives and other approaches for improving efficiencies and creating new opportunities. These kinds of internal efforts are critical requirements for the FHLBNY to be able to develop new offerings that respond to the flexibility presented by the new AHP regulation – the creation of a Targeted Fund for projects of a specific type or from a particular geographic area, for example.

Second, working with colleagues in Government Relations and other outward-facing departments, staff will amplify outreach to relevant government agencies in the district, identifying ways to credibly and persuasively demonstrate the value proposition of the FHLBNY's programs and their impact on community needs. The FHLBNY may pursue targeted research projects on certain program aspects to aid in this effort. For example, there is significant overlap each year between the projects funded by the AHP and those that receive 9% Low Income Housing Tax Credit awards. These overlaps mean that tax credit funding goes further, enabling the issuing agencies to make more awards or strengthening the financial feasibility of the projects by limiting additional debt. These kinds of tangible impacts have not been rigorously documented or made to be a significant part of the FHLBNY's story in the areas it serves.

And third, staff will research and deploy investments in implementing partners that can advance the FHLBNY's mission and specific strategic objectives. The successful charitable contributions over the past several years (for emergency disaster relief efforts following Hurricanes Irma and Maria and then rebuilding efforts after earthquakes in Puerto Rico, as well as the substantial giving in 2021 around homelessness prevention, capacity-building for Minority- and Women-Owned Business Enterprises in the affordable housing space, and responding to the effects of Tropical Storm Ida) have generated a base of knowledge and evidence for future initiatives and established partnerships with high-quality organizations. To the extent that funds are available, the FHLBNY plans to continue to capitalize on its unique role in the district ecosystem and identify opportunities to generate meaningful returns.

3. Targeted Community Lending Performance Goals

This Plan describes the ways in which the FHLBNY products and programs respond to the district's credit and affordable housing needs. The FHLBNY operates in the context of wider market forces and in partnership with members and other community organizations. The goals below align with the staff's internal performance metrics and 2022 work plans, but they are flexible enough to accommodate unexpected developments.

The core discounted advances – CIP, UDA and RDA – will remain available to members. While members' liquidity options meant they did not fully utilize FHLBNY advances in 2021, the economic environment may change going into 2022, making the programs more attractive.

Goal 1 **FHLBNY members borrow $750 million in total across the CIP, UDA and RDA.**

The staff will continue strategic engagement with members on the suite of products and programs. Often this includes multiple departments within a given FHLBNY member, including representatives from the treasury department, loan originations team (multi- and single-family) and the designated Community Reinvestment Act Officer. These are opportunities to educate members about how various FHLBNY offerings can support certain business lines, and they also give the FHLBNY greater insights into emerging issues related to the district's credit and affordable housing needs. Given the restrictions due to the pandemic, much of this outreach may continue to be conducted remotely.

Goal 2 **Conduct education, training or research activities with the cross-functional staff of 24 FHLBNY members.**

Alongside outreach to members, FHLBNY staff seek out the counsel of industry experts and community partners across the district to inform policy and operational decisions. The forums for these conversations include industry conferences; large-group training sessions for potential program applicants; celebration events for funded projects; and ad hoc interviews and focus groups. Of course this outreach also shapes each year's Targeted Community Lending Plan.

Goal 3 **Conduct 50 outreach activities with AHP sponsors, housing counseling agencies, district funding sources, and other stakeholders.**

The 2020 Plan established as a goal that the FHLBNY would explore the utility and feasibility of offering a subsidized advance as an option alongside the typical grant in the Affordable Housing Program. In concept, this would allow project sponsors to lower their borrowing costs for construction or permanent lending (presuming the FHLBNY member passed along the discounted interest rate) rather than use AHP funds on their own in the capital stack. In the 2021 AHP round, the FHLBNY received some indications of members' appetite with the introduction of a scoring boost for projects with member financial participation. The Business Development Advance, as of the writing of this Plan is still scheduled to launch in late 2021, will provide further guidance on the level of demand for an AHP subsidized advance and establish the mechanics of such an offering internally. In 2022 further exploration of the potential opportunity of a subsidized advance with the AHP will be conducted.

Goal 4 **Prepare for internal analysis a summary of research findings, and evaluate whether to incorporate subsidized advances in future AHP rounds.**

In recent years the FHLBNY has modified its AHP to increase the competitiveness of owner-occupied projects, in response to advocacy from the members of the Affordable Housing Advisory Council and other district stakeholders. Still, some aspects of these projects can be challenging to evaluate: they are often led by smaller sponsors, are less likely to have tax credit equity or other project-level (as opposed to organizational) underwriting, and may entail project structures and costs that diverge from more familiar rental benchmarks. Building on research and outreach begun in 2021, the FHLBNY will evaluate the current fit of owner-occupied projects within the AHP, and identify opportunities for better responding to the needs of current owner-occupied sponsors and a wider set of potential program participants.

Goal 5 **Review internal evidence and conduct interview and focus group research to understand pain points related to owner-occupied projects for program operations and partner organizations**.

The above goals will inform FHLBNY policies and initiatives over the course of 2022. Subsequent Targeted Community Lending Plans will revisit the established metrics and evaluate them.

Appendix

A. Notes on data sources

The data and analysis presented in previous sections is the most relevant available for the purpose of this Plan. Other sources, including some recommended by the authors of the Urban Institute and Enterprise paper, were evaluated and omitted from the body of the Plan. Still, these variables provide useful lessons about the quality of meaningful statistics regarding the varied experience of mobility across the district. And at a later date one or more of them may rise to the surface as worthy of further analysis. This section, then, briefly reviews the omitted data sources.

The Urban Institute and Enterprise paper recommends, as a measure of housing quality, the American Community Survey's estimates of the number and percentage of housing units lacking complete plumbing facilities, kitchen facilities, and telephone service.[38] Given the prevalence of mobile phones, the first two variables seem most relevant for assessing quality. *Table 11* below shows data from 2019 by county: these are the areas ranked by the percentage of occupied units lacking plumbing. Note that the plumbing and kitchen categories are not mutually exclusive – in other words, they may correspond to the same individual units.

Table 11: Housing quality characteristics by county – 2019 data

	Percentage lacking complete plumbing facilities	Percentage lacking complete kitchen facilities
St. Lawrence County, NY	2.3%	1.8%
Cattaraugus County, NY	1.9%	1.9%
Salem County, NJ	1.6%	1.6%
Jefferson County, NY	1.1%	0.7%
Ontario County, NY	1.1%	0.4%

The above table implies that this issue is more prevalent in the more rural counties in the district. However, in the five boroughs (and counties) of New York City, while the proportions are lower than in rural areas, there are a collective 11,214 units without plumbing and 20,699 without a kitchen (again, likely with significant overlap). What makes these measurements challenging to interpret is that in some cases they likely overstate the problem of quality, such as when an otherwise decent apartment has a shared kitchen or bathroom, but also that in many in cases they likely understate the problem, given that lead paint, mold, faulty electrical systems, failed septic systems, etc. are present in plenty of dwellings with full plumbing and kitchen facilities. Hence the previously discussed metrics for housing quality were deemed more inclusive and meaningful.

As a measure of household stability, the paper suggests using the number of times a household moves, as measured every other year in the University of Michigan's Panel Study of Income Dynamics conducted by the University of Michigan.[39] However, for the purpose of this and future Plans, those data may be of limited use. In the 2019 surveys for that project, there were just 353 New York families and 182 New Jersey families, meaning finer-grained statistical analysis would lack much precision. Among those New York families, 109 (31%) had moved since January 1 of the previous year, compared with 45 (25%) in New Jersey. The paper rightly cautions that some moves are for opportunity rather than necessity. So, looking only at respondents in each state who also said they were very or somewhat unsatisfied with life as a whole, 9 of 21 (43%) in New York had moved, as had 1 of 6 (17%) New Jersey Families. Even if this is a helpful way to separate out moves for necessity, these small sample sizes mean that it is unlikely the survey provides a meaningful indicator, year after year, of mobility at even a state level.

B. Recent FHLBNY publications

Targeted Community Lending Plan	2021	2020	2019	2018
Affordable Housing Advisory Council Annual Report		2020	2019	2018

C. Recommended resources regarding district needs

In addition to the sources cited in the endnotes, several recent publications by industry experts in an out of the FHLBNY district informed the analysis in this Plan. Interested readers should follow the link below to gain a deeper understanding of key housing issues.

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De La Campa, Elijah; Reina, Vincent J. and Chris Herbert. August 25, 2021. "How are Landlords Faring During the COVID-19 Pandemic? Evidence from a National Cross-Site Survey." Joint Center for Housing Studies of Harvard University. Available at https://www.jchs.harvard.edu/research-areas/working-papers/how-are-landlords-faring-during-covid-19-pandemic-evidence-national.

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NYU Furman Center. 2021. "State of the City 2020: Renters and Recovery." Available at https://furmancenter.org/stateofthecity/view/renters-and-recovery.

Public and Affordable Housing Research Corporation. 2021. "Supporting Physical and Mental Health through the Pandemic." Housing Impact Report: Feature on Special Populations. Available at http://www.pahrc.org/wp-content/uploads/2021/10/2021-Housing-Impact-Report-Special-Populations_092421.pdf.

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[4] Kriti Ramakrishnan, Elizabeth Champion, Megan Gallagher and Keith Fudge (January 2021), "Why Housing Matters for Upward Mobility: Evidence and Indicators for Practitioners and Policymakers," Urban Institute, accessed July 1, 2021 at https://www.urban.org/research/publication/why-housing-matters-upward-mobility-evidence-and-indicators-practitioners-and-policymakers.

[5] Megan Gallagher, Keith Fudge and Alexa Rosenberg (July 1, 2021), interview with FHLBNY staff.

[6] Centers for Disease Control and Prevention, "CDC's Childhood Lead State Surveillance Data," accessed September 2, 2021 at https://www.cdc.gov/nceh/lead/data/state.htm.

[7] Danielle Smith, CEO of HomeOwnershipCenter (March 4, 2021), and Robert Napoli, Executive Director of Stoneleigh Housing (June 2, 2021), interviews with FHLBNY staff.

[8] American Community Survey 2019 1-year estimates, Table B25036, accessed September 2, 2021 at https://data.census.gov/cedsci/.

[9] Mihir Zaveri, Matthew Haag, Adam Playford and Nate Schweber (September 2, 2021), "How the Storm Turned Basement Apartments Into Death Traps," New York Times, accessed September 3, 2021 at https://www.nytimes.com/2021/09/02/nyregion/basement-apartment-floods-deaths.html. For the relevance of climate risk to small towns in rural areas, see Christopher Flavelle (September 2, 2021), "Climate Change Is Bankrupting America's Small Towns," New York Times, accessed September 3, 2021 at https://www.nytimes.com/2021/09/02/climate/climate-towns-bankruptcy.html.

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