

Community Investment Program

The Community Investment Program offers discounted advances to members, which are priced below standard advance offerings for a wide variety of qualified community development activities, including but not limited to those enhancing access to mortgage credit.

BACKGROUND AND PURPOSE

Through the Community Investment Program (CIP), all FHLBs offer discounted advances priced below standard advance offerings for qualified community development activities. CIP funds help members make loans to enhance community economic development activities for families and neighborhoods earning up to 80 percent of area median income, and to increase housing options for families with incomes up to 115 percent of area median income.

Although CIP funding targets vary by FHLB, economic development activities may include funding for infrastructure improvements, assistance for small businesses, and upgrades to community facilities. Housing related activities may include the construction or permanent financing of rental and homeownership activities, as well as special needs projects. In essence, the statutorily required CIP helps lenders make loans that might not be possible without such funds by reducing the cost and the risk associated with making non-conventional loans for community development. Community investment advances are priced at the FHLB's cost of funds for similar maturities plus an administrative fee. Maturities and collateral requirements are consistent with those on all FHLB credit programs. Prepayment fees may also apply.

CIP funds may be used for a variety of purposes related to enhancing access to mortgage credit, including:

- originating mortgage loans;
- financing construction;
- participating in a loan consortium;

- making loans to an entity such as a community development financial institution that makes loans for eligible housing or economic development initiatives;
- purchasing mortgage revenue bonds or mortgage backed securities where all the loans meet CIP requirements; and
- creating a secondary market for loans.

FHLBs offer a variety of credit products known as "advances" to meet the short- and long-term liquidity needs of their members. FHLB advances serve as a funding source for CIP projects and a variety of mortgage products, including those focused on very low-, low-, and moderate-income households. Some FHLB profits from advances are returned to members in the form of stock dividends or Affordable Housing Program funded business development opportunities.

Maturities range from overnight to 30 years and include a variety of fixed and adjustable or floating rate structures. Advances are priced slightly over comparable maturity U.S. Department of the Treasury bonds. Advances are secured by mortgages held in portfolio and other eligible types of collateral that the FHLB holds. More detail is found in the Advances section.

Bank Eligibility and Application Process

The application process is open for members year round. All of the projects' loans must be closed and funds fully disbursed within a period beginning three months prior to the CIP funding date and/or ending six months after the funding date. FHLB staff is available to help qualify projects. A commitment is established when both the Community Investment and Credit Services departments approve the application.

All FHLBs have established minimum recommended advance amounts. In addition, all FHLBs have established a maximum per member and total amount of available CIP advance funds. A single advance application may be used for multiple purposes. Applications are funded on a first come, first served basis. There is no obligation to borrow once a commitment has been made, but commitments do expire if not used. No matching funds are required.

Advance products available mirror classic advance products, but are offered at lower rates (see Advances section). The cost of funds fluctuates with the FHLB's cost to obtain capital.

Training

Each FHLB offers training opportunities for members to learn more about FHLB products and business-related opportunities. See the individual FHLB summary for training information offered.

Borrower Eligibility

Community Investment staff are available to assist in determining CIP eligibility. To qualify for CIP funding, the eventual beneficiaries of the project must meet certain geographic and/or income requirements. These requirements vary by FHLB.

Loan Criteria

The program does not specify the terms of mortgages made to low- and moderate-income homebuyers using CIP advance funds. Unlike the AHP program, members do not have to pass the entire amount of the benefit along to borrowers, and may charge origination fees.

CIP advances can also be used in conjunction with the FHLBs' Affordable Housing Programs, the U.S. Department of Housing and Urban Development programs, including the Federal Housing Administration programs, as well as state and local government and secondary market agency programs. Mortgages secured by properties that received CIP financing can be delivered through any secondary market channel for which they are eligible.

POTENTIAL BENEFITS

The Community Investment Program offers members the lowest cost advances, discounted below standard FHLB rates.

The Community Investment Program may help members achieve their CRA goals.

POTENTIAL CHALLENGES

The FHLB charges an administrative fee and prepayment fees may apply.

Applications are funded on a first come, first served basis.

Quality Control and Reporting

A member must provide beneficiary data either with application submission or shortly after each disbursement of funds for homeownership programs where participants may not have been identified in advance. The total amount of loans submitted must be equal to or greater than the amount of CIP funds advanced. Loans may be closed prior to disbursement of the CIP funds to the member.

A single report is required within the commitment period. There is no ongoing follow-up monitoring required. The data to be reported depends on the application type, but loan amount, household income, and number of units is typical. Report data is subject to final approval by the FHLB.

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Potential Challenges

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