



Advancing Housing and Community Growth

MAILING LABEL

Fall 2011

A POWERFUL PARTNERSHIP

For Affordable Housing Development in the Garden State

In a market where funding for state housing subsidies seems to be dwindling, the New Jersey Housing and Mortgage Finance Agency ("NJHMFA") and the Federal Home Loan Bank of New York's ("FHLBNY") Joint Training Seminar was both a welcome and highly anticipated event for affordable housing professionals. On Wednesday, June 22, the NJHMA hosted the training event at its headquarters in Trenton in an effort to educate developers, sponsors, and financial institutions on the housing financing tools available to them through each respective organization. For nearly eight years, these two organizations have partnered together to provide training and educational resources on how to create and develop affordable housing opportunities in New Jersey.

More than 70 housing professionals attended the event to hear firsthand as representatives from the NJHMFA discussed the organization's rental housing and housing preservation programs, federal low-income housing tax credits, and single-family, multi-family, and special needs lending programs. Home Loan Bank staff described parameters for programs including the Affordable Housing Program, First Home Club, and Community Lending Programs. Both presentations emphasized the importance of leveraging financing sources to maximize subsidies available for use.



Richard Mroz (*pictured*), Director of the FHLBNY, and Anthony Marchetta, Executive Director of the NJHMFA, addressed the audience and discussed the invaluable partnership the NJHMFA and the FHLBNY have provided in housing development.

"It is the partnership between the Home Loan Bank, our members, who are active and involved in their communities, terrific non-profit organizations, and



A \$323,715 AHP grant from the FHLBNY and Valley National Bank helped fund the construction of the Lafayette Senior Living Center, which created 81 apartments for low-income seniors in the Garden State.

dedicated housing organizations like the HMFA who bring their expertise time and time again to families across New Jersey who are looking for that most important American institution: the home," said Mr. Mroz.

The results of this partnership have had a substantial impact within the Garden State where, since the inception of the AHP program in 1990, the FHLBNY has supported more than 430 projects with nearly \$130 million in grants, to help build or rehabilitate nearly 17,000 units of housing. On the vast majority of these projects, the NJHMFA has partnered with the FHLBNY, providing funding through the sale of tax exempt and/or taxable bonds, special needs housing trust funds, housing preservation, single family homeownership, and multifamily housing programs.

This year, the Joint Training Seminar concluded with technical assistance training for all those projects which had received an AHP award during the two 2010 AHP rounds. The intent of this supplemental presentation was to provide a practical overview of the AHP requisition, disbursement and compliance monitoring process.

Both the NJHMFA and FHLBNY are committed to increasing the availability of safe, decent and affordable housing to seniors, families, first-time homebuyers and those with special needs. And, as the FHLBNY expects to have more than \$27 million in funds available for the 2011 AHP grant round, and roughly \$13 million is anticipated to be available in the 2012 HMFA tax credit allocation, there are no signs of this commitment slowing. ■

REVITALIZING THE CAPITAL CITY

In 2007, the Federal Home Loan Bank of New York ("FHLBNY") and its member, **Pioneer Savings Bank**, awarded a \$500,000 Affordable Housing Program ("AHP") grant to the South End Revitalization Phase I project in Albany, New York. On July 12, 2011, that early investment in the large revitalization effort paid off when the ribbon was cut on Capital South Properties, the newest phase of the project that is bringing much-needed housing to New York's capital city.

Phase I of the South End Revitalization project included the creation of a 52-unit housing project for very-low income working families. The new construction was on vacant land and designed as row homes, which is consistent with the surrounding residential neighborhood. The other component of the project was the gut rehabilitation of an existing building, creating additional housing from a formerly unused structure. The project serves large and small families that had been living in substandard housing. All the units are supported by rent subsidies under the Section 8 program with project-based vouchers.



The South End Revitalization project is restoring an entire neighborhood in Albany, NY.

Phase I served as the catalyst for more neighborhood revitalization, including completion of the Capital South Properties, which was Phase II of the effort. At the ribbon-cutting for the 43-unit development, project sponsors announced the award of a \$5 million HUD grant for an education and training facility. And just a few weeks earlier, the development of 16 new Habitat for Humanity

Homes was announced for a nearby block. When combined, these efforts have resulted in a noticed improvement in the neighborhood. The FHLBNY is proud to support the work of so many and serve as an early investor in a revitalization that is creating real change for previously underserved families in Albany. ■

HIGHLIGHTING THE DRIVERS OF COMMUNITY DEVELOPMENT: A *Community Investment News* Q&A on Melissa Riggio Residence

The Melissa Riggio Residence opened its doors in Basking Ridge, New Jersey, on June 3, 2011. The single-family ranch home was designed to provide housing for very-low income individuals with developmental disabilities and provide supportive services necessary to foster independent living. The project received a \$54,000 AHP award in the 2009A Round and was a collaboration between FHLBNY member **Peapack-Gladstone Bank** and the Somerset Hills YMCA; Monarch Housing Associates acted as the consultant. The facility was built in honor of Melissa Ann Riggio, a poet, songwriter and a strong, optimistic woman born with Down Syndrome. Ms. Riggio lost her battle with leukemia in 2008 at the age of twenty. She expressed to her parents, a dream of living independently one day in Basking Ridge. We spoke to Asish Patel, Senior Associate of Monarch Housing Associates, Inc.

CIN: What were some of the challenges in developing a supportive services home for individuals with developmental disabilities? What are the special features included for each resident?

In 1994, a 5.5 acre parcel of land with an existing, deteriorated house was donated to the Somerset Hills YMCA. Over the next several years, the Board of Directors and staff explored a number of scenarios that would best utilize the property and be most consistent with the mission of the Somerset Hills YMCA.

One of the constraints of the property, which is adjacent to the Somerset Hills YMCA's main program facility in Basking Ridge, New Jersey, was its location within a residential zone. After exploring many alternatives, an ambitious and creative plan to offer integrated support services to adults with developmental disabilities was developed. This solution enabled the Somerset Hills YMCA to build upon its 30 year commitment to providing programs, services and employment opportunities for individuals with disabilities and respond to a growing need in its community.

This project employs a unique model for delivering permanent supportive services to adults with disabilities through a partnership between a YMCA and a service provider. We believe that this model can be replicated in other parts of the state. Additionally, the development provided a balance of financing from the public and private sector, and tremendous community support that made this home a welcome addition to the community.

CIN: How was the AHP grant instrumental in bringing the Project to fruition?

Financing from the AHP grant was instrumental in the development of this project. Development of supportive housing is very different than other types of development. At the inception of the project, the Somerset Hills YMCA came up with a list of values,



Basking Ridge's Melissa Riggio Residence provides housing and supportive services for very low-income individuals with development disabilities.

which included the population to be served, type of housing (style, design), and items that impacted short term financing, but also long term expenses. These items included primarily some design factors, and most importantly material selection. The building was designed to bring in light, fresh air, and provide sufficient space for six adults and staff to "live".

The funds from the AHP not only helped build this home, but allowed it to be a healthier home for the residents, and provided that upfront funding that will keep the operating expense, and long term maintenance expense, lower.

The AHP funds have always been a great way to get that very last amount of funds to make a project successful.

CIN: What are some of the supportive services offered to the residents? How does the Melissa Riggio residence foster and encourage independent living?

Our House, Inc. will provide social services to the residents of the Melissa Riggio Residence through its community residential program. The goal of the program is to provide the least restrictive environment while promoting a safe and nurturing home setting where participants can work on both general skill development and specific areas of need. This program will provide the structure and support required by each individual served to to successfully transition into the home, establish a comfortable and enriching daily routine, and work toward increasingly independent functioning.

The program will capitalize on the natural rhythms of the day to teach personal and household maintenance skills. To the extent that they are able, all individuals will be expected to engage in the full spectrum of household maintenance tasks by rotating

participation in the work related to the completion of household tasks such as vacuuming, dusting, laundry, cleaning the bathroom, and meal prep.

Residents will be given the opportunity to utilize community resources to satisfy many of their daily living and recreational needs. Regular shopping trips for food and sundries, banking, religious services and recreational activities will provide opportunities for individuals to practice community skills and to be exposed to expectations for appropriate social behaviors. As these skill levels continue to increase, additional programs will be sought to fully meet each individual's interest.

Social and recreational occasions and activities, both inside and outside the home, also become opportunities to model, expand and refine social, conversational and interpersonal skills. Individuals will be encouraged to participate in activities in the community that are of interest to them such as programs at the Somerset Hills YMCA, libraries, restaurants, shopping centers, theater, movies, concerts, spectator or participatory sporting events, to give them the opportunity to share these experiences with their house mates, increase their presence in the community, enhance their socialization skills and provide additional opportunities to meet and develop relationships with other persons with similar interests.

With the extensive support services provided by Our House, Inc. and the close proximity to the Somerset Hills YMCA, this project will lend each individual the rare opportunity to experience integrated residential, vocational, educational and recreational lifestyles.

With more than 9,500 individuals on the Division of Developmental Disabilities' waiting list for housing, this project helps to meet a tremendous need for supportive housing in the state of New Jersey. ■

RAISING THE BARN

In late spring, representatives from Advance Housing Inc., Monarch Housing Associates, **TD Bank** and the Federal Home Loan Bank of New York ("FHLBNY") joined with local officials in Lafayette to cut the ribbon at Demarest Farms and officially open Sussex County's newest site of affordable, supportive housing.

Demarest Farms features the adaptive re-use of an old barn and field house, turning the structures into a development of 10 units of permanent, affordable rental housing for very low-income individuals who were formerly homeless and have physical or psychiatric disabilities. The development will later be expanded to include 20 homes. Handicapped-accessible units will be made available to people with physical disabilities.

"We were able to create a beautiful development that blends in perfectly with the township and provide every modern comfort for the residents," said Lafayette Committeeman Rick Hughes in an interview with *The Advertiser-News*.

Advance Housing, the project's sponsor, will provide access to a wide array of supportive services to help residents stay permanently housed, including case management, economic empowerment programs, and linkages to health care and treatment programs.

The FHLBNY partnered with its member, **TD Bank**, to provide a \$150,000 Affordable Housing Program grant to Advance Housing to help finance construction costs.

Before Advance Housing got to work, the barn had been used as a pro golf shop, and the site was used as a driving range. But with the support of the community, Demarest Farms ensures that the barn will be put to much better use. ■



The Demarest Farms project has converted an old barn into 10 units of beautiful rental housing.

HELPING PUERTO RICO PROSPER

The phrase “Juntos Podemos Hacer Puerto Rico Prosperar,” translates to “together we can make Puerto Rico prosper,” and on Tuesday, June 28 in San Juan, that was precisely the objective of the Federal Home Loan Bank of New York’s Housing and Community Lending Forum. Representatives from the FHLBNY, as well as government representatives, developers, housing advocates, and financial institutions, gathered for an afternoon presentation on financing resources and funding tools available through the FHLBNY’s housing and community lending programs.

Paul Héroux, FHLBNY senior vice president and head of Member Services, provided welcoming remarks. Jose González, Vice Chairman of the FHLBNY, discussed the benefits of developing a partnership between local community lenders and FHLBNY members to advance housing and benefit communities in areas the membership and the FHLBNY mutually serve. The event’s keynote speaker was George Joyner, executive director of the Puerto Rico Housing Finance Authority. Mr. Joyner addressed the state of affordable housing and the housing market in Puerto Rico, and what the future holds. Following Mr. Joyner’s presentation, Joseph Gallo, the FHLBNY’s Community Investment Officer, and Bridget Morrissey, manager of Community Lending and Outreach, provided a summary of the housing and community lending programs offered by the FHLBNY, including the Bank’s Affordable Housing Program (“AHP”), First Home Club, and Community Lending Program.

In the last 20 years, the FHLBNY has supported more than 24 affordable housing projects in Puerto Rico with more than \$11 million in grants. These



The FHLBNY works with its members in Puerto Rico to help drive housing and economic development on the island.

actions have helped build or rehabilitate more than 1,900 units of housing. However, the last project approved to receive AHP subsidy was in 2007, and only three of the FHLBNY’s six Puerto Rico-based members are actively enrolled participants in the First Home Club. Because of this, the Forum was also organized with the intent to re-establish an FHLBNY presence in the Commonwealth of Puerto Rico, which is in continued need of safe, reliable, and affordable housing.

The Housing and Community Lending Forum was well-received among housing professionals in Puerto Rico, drawing more than 90 attendees from every facet of creating affordable housing, providing a networking opportunity for key players within the

housing and community development industry who are working toward a common goal.

In utilizing the FHLBNY resources available, the future looks bright for housing development in Puerto Rico. Mr. Joyner concurred, adding “On behalf of the Puerto Rico Housing Finance Authority, the conference provided us with very useful information concerning FHLBNY Affordable Housing Programs and how they might be combined with our programs. The conference was very successful in bringing together the largest stakeholders in the industry (member banks, developers, investors, non-profit sector, etc.), providing a unique opportunity for networking and sharing of knowledge and experience.” ■

CIN GUEST COLUMN: REPEALING THE MORTGAGE INTEREST DEDUCTION? HOLD THE APPLAUSE!

By John C. Weicher

(This article appeared on The Hudson Institute’s web site on April 4, 2011)

President Obama’s bipartisan National Commission on Fiscal Responsibility and Reform (commonly referred to as the “Deficit Commission”) has called for terminating the mortgage interest deduction for homeowners, and a bipartisan “Gang of Six” senators, four of them members of the Deficit Commission, is now developing a budget plan that is likely to include that recommendation. The deduction is the second largest “tax expenditure” in the entire federal budget; repealing it would bring the federal government more than \$100 billion annually. To a Commission trying to cut the deficit by almost \$4 trillion over the next decade, it must have looked like a sitting duck.

Although this Commission proposal has been applauded by commentators across the political spectrum, it is bad economic policy.

Part of the rationale for the Commission’s recommendation is its desire to have a tax system that is as economically neutral as possible, a tax system that doesn’t push people to do something just for the tax advantage. This is a laudable objective and one that nearly every economist favors. Terminating the mortgage interest deduction, however, doesn’t help achieve that goal. Instead, it would create a new bias in the tax code, favoring renting rather than owning your own home.

Your house is an asset, an investment, as well as a place to live. A homeowner is both an investor and a consumer, both a landlord and a tenant – someone who owns a house and is renting it to himself or herself. Like any other business person, a landlord can deduct business expenses. For rental housing, these include interest on the mortgage, property taxes, maintenance expenditures, and depreciation

on the property. At the same time, the landlord has to pay tax on the rent he or she receives, after deducting these business expenses. A homeowner/investor has the same business expenses, but can’t deduct all of them. The homeowner can deduct mortgage interest and property taxes, but not maintenance or depreciation. The homeowner also doesn’t have to pay taxes on the rental value of the home.

So homeowners have a tax advantage over landlords because owners don’t pay taxes on the rental value of their home; and landlords have tax advantages over homeowners because they can deduct maintenance and depreciation, and homeowners can’t. But homeowners and landlords are treated equally with respect to mortgage interest and property taxes. Both can deduct these expenses. The recommendation of the Commission takes away the deduction for homeowners, but leaves it in place for landlords.

The President’s budget for 2012 proposes to take a small but significant step in the same direction. The value of the deduction would be reduced for families with incomes above \$250,000. These are the same taxpayers for whom Mr. Obama wanted to raise taxes back in December - “the rich.”

But the deduction isn’t a particular benefit for rich people. Taxpayers with incomes above \$200,000 are about 5% of all households who pay income taxes – “the richest 5%.” They pay over half of all income taxes. But they only account for about 20% of all mortgage interest reported on tax returns, according to the IRS. That is much less than their share of other major deductions; they account for more than half of state and local income taxes, and almost half of charitable contributions.

Most of the benefit of the mortgage interest deduction goes to households who are not “rich,” households with incomes between \$75,000 and \$200,000. These are middle-class families, reasonably well off, but working, and working hard.

Terminating the mortgage interest deduction has other consequences. Homeownership has traditionally been an indicator of middle-class status and a path to financial security. For young families, their first two assets typically are a checking account and a car. Their next two are a home and a 401(k).

Those are likely to be their most important assets over the rest of their working lives – particularly their home. For most middle-class families, the equity that they build up in their home is more important than all their financial assets combined. That’s also true for lower-income families. Not all of them are homeowners, but about half are, and for them their home is by far their most important asset. Financial assets, such as stocks, bonds, or mutual funds, are concentrated among the wealthiest part of the population. Homeownership and home equity are much more important for the middle class than they are for the rich.

The sooner young families can afford to buy a home, the more likely they are to enjoy an increase in the value of their home, and the greater that increase is likely to be. The mortgage interest deduction makes it easier for them to buy that home, unless they have been lucky enough to enjoy a comfortable inheritance. Most people haven’t; they have to work for a living, and work to pay a mortgage as well as their other expenses.

Repealing the mortgage interest deduction will make it harder for young families to become homeowners. Repealing the capital gains exclusion, another Commission recommendation, will make it harder for older families, when they want to move to a retirement home or move to be near their children and grandchildren.

Profiting when you sell your home may seem like a distant dream right now, when foreclosures are rampant and the homeownership rate is declining. Most of the time, however, families that have bought homes have gained financially when they decided to sell. That is the normal experience.

Surveys show that families want to be homeowners, even in today’s economy, and they are right. Homeownership has traditionally been an indicator of middle-class status and a path to financial security, and it still is.

(Mr. Weicher is Director of the Center for Housing and Financial Markets at Hudson Institute. From 2001-2005 he was Assistant Secretary for Housing and Federal Housing Commissioner at the U.S. Department of Housing and Urban Development.) ■

FIRST HOME CLUB EASES MORTGAGE PROCESS

There is much to like about the Federal Home Loan Bank of New York's First Home Club ("FHC"): the community-enhancing value of owner-occupied workforce housing; the remarkable home retention rate that low- to moderate-income FHC buyers enjoy, with a foreclosure rate of 0.54%; and that the program serves as a reminder of the local banker's primary focus on truly getting to know the customer. But there is another way in which the FHC provides value: through the operational ease of integrating the FHC program into the mortgage lending process.

The First Home Club program brings a mortgage-eligible household to the settlement table through a deliberate and reasoned process. The borrower has proven their ability to fulfill the terms and conditions of the FHC, they have saved for a minimum of 10 months and completed homebuyer and financial counseling, and they have now been approved for a mortgage. The FHC program is designed to ensure that the process flows smoothly and efficiently into the member's mortgage processing.

In the past, the borrower's execution of the mortgage commitment was required before submission of a Funding Certification (the FHC's version of a mortgage application). Given the emotions of home purchase, borrowers often delayed signing the commitment and the FHC review became one of the last-minute processes, sometimes to be fulfilled within three or four days of a closing. Scheduling a closing date became even more difficult. Reengineering was clearly required.

After weighing the potential wasted work of reviewing files that might be rejected, the FHLBNY determined



The First Home Club has been very successful in helping first-time buyers become homeowners, with a foreclosure rate of just 0.54%.

that the potential extra work was clearly outweighed by the benefits of moving the FHC review to a much earlier point in the process. Now the FHC Funding Certification may be submitted as soon as the first mortgage commitment is sent to the borrower. The target turnaround time for a complete file is 10 business days. That generally means that approval of the FHC grant can be made within two weeks after the first mortgage commitment is issued. Upon FHLBNY review and approval, the FHC closing documents are emailed to the lender and scheduling of the settlement may proceed with assurance.

The final step of the FHC process is to provide post-closing documents to the Home Loan Bank. Through FHC procedural modifications, all post-closing documents – the HUD-1, Truth-in-Lending Statement, Good Faith Estimate, executed FHC

Promissory Note and Subordinate Mortgage – as well as the Recording Certification are available to the member at the completion of settlement. The Recording Certification is another reengineering step that has made a great deal of difference in reducing administrative time and effort. This simple one-page document notes the date the settlement agent will send the FHC Mortgage for recording. Instead of waiting months for the return of recorded documents to submit to the FHLBNY, the file can be completed and the use of the grant funds documented within days of the settlement.

Members are encouraged to consider participation in the First Home Club. Please contact (212) 441-6850 or call Peter King, Affordable Housing Officer, at (212) 441-6858. ■

FROM QUILT TO BUILT



FHLBNY President Al DelliBovi addresses the crowd at The Lee's ground-breaking ceremony.

In 2007, when Federal Home Loan Bank of New York President Al DelliBovi attended the ground breaking ceremony for The Lee, Common Ground's 263-unit permanent supportive housing building located on Manhattan's Lower East Side, there was a quilt on display that represented the building The Lee would become. On April 7th, when Common Ground cut the ribbon at The Lee, the quilt's vision had become a reality, and The Lee now represents a stable footing and a fresh start for its residents.

The Lee is part of Common Ground's Green Design Campaign, using sustainable design and materials to optimize energy efficiency, a healthy living environment, and reduced use of natural resources. The Lee was New York City's first Leadership in Energy and Environmental Design Silver supportive housing building, and was a winner of the NYC Department of Environmental Protection's 2005 Green Building Design Competition.

In 2006, the Federal Home Loan Bank of New York joined with its member, **HSBC**, to provide a \$1 million Affordable Housing Program grant to Common Ground for The Lee. Since 2000, the Home Loan Bank has supported eight Common Ground projects, providing \$7.7 million in grants to help the organization create more than 1,300 stable, safe and decent homes for New Yorkers who need them most.

Common Ground is a champion of affordable housing for families and individuals across New York. As the nation's economy struggles towards recovery, the work that Common Ground does is needed now more than ever, and the Federal Home Loan Bank of New York takes pride in its ability to continue to provide support to such a deserving organization. After all, a stable home is a foundation that all can build upon. ■

HOUSING: THE DNA OF THE HUMAN CHARACTER

On Monday, June 6th, Al DelliBovi, president of the Federal Home Loan Bank of New York, joined with several housing experts in Manhattan for the unveiling of The State of the Nation's Housing 2011 report from the Joint Center for Housing Studies of Harvard University. This annual report is held in high regard among policymakers and housing experts alike and provides valuable information and analysis on the nation's housing environment. Not surprisingly, the takeaways from the report were not overly positive, as the organization noted that housing markets remain mired and many buyers are staying on the sidelines.

According to the report, the national homeownership rate dipped below 67 percent in 2010, down from 69 percent in 2004. The report also notes a Fannie Mae survey that states that the significantly fewer renters see buying a home as a safe investment now than in 2003. The news, however, was not all bad. Seventy-four percent of renters, and 87 percent of the overall population, believe that owning a home makes more financial sense than renting. As one of the speakers at the event said, "housing is built into the DNA of the human character." Regardless of current uncertainty over pricing and continued affordability concerns, there is an appetite for homeownership. But, as Mr. DelliBovi stressed in his comments at the event, this appetite must be met responsibly, and with strong underwriting and the support of the local community lender. Strong underwriting is what the community lender does better than anyone. Strong underwriting is not bad for homeownership – it is a good thing. It lets people successfully manage their homes, and keeps communities whole. ■

For more information...

about any of the FHLBank of New York's affordable housing and community investment programs, contact the Community Investment Department at 212-441-6850 or visit our website at www.fhlbny.com.



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