Federal Home Loan Bank
NEW YORK

Community Lending Plan 2016

Executive Summary

The Federal Home Loan Bank of New York herein presents its 2016 Community Lending Plan (“Plan”). For this Plan, “Community Lending" is defined as providing financing for economic development projects for targeted beneficiaries. The Community Investment Cash Advance (“CICA”) regulation, published by the Federal Housing Finance Agency (“Finance Agency”), states that each Federal Home Loan Bank shall offer an Affordable Housing Program and Community Lending Programs to provide financing for eligible housing and community lending activities. The CICA regulation also requires that each Federal Home Loan Bank develop and adopt a Community Lending Plan on an annual basis.

To this end, the Bank has developed this Plan, which summarizes the Bank’s recognition of the District’s community lending needs and describes the Bank’s initiatives and goals for 2016. Also presented is an overview of the Bank’s community lending related initiatives and accomplishments in 2015.

Community Lending Needs in the District

The Bank consults with our member institutions, our Affordable Housing Advisory Council and various other organizations regarding the challenges, needs, and opportunities facing our District. The Bank also sponsors and participates in meetings, workshops, and conferences throughout the District to gain insight regarding the community lending needs in the communities that our member institutions serve. The Bank supplements these activities with market research about relevant socio-economic and geographic trends in the District. The Bank's current research regarding various regional trends is presented in Exhibit A - District II Market Profile. Although housing market trends and economic conditions are discussed, the objective of this plan is not to provide a comprehensive analysis of the economy or the housing market, but rather to assist the Bank in identifying relevant community lending needs within our District.

For 2016, the Bank plans to continue its focus of supporting our members in meeting the following community lending needs within our District:

» Availability of credit to finance community lending and economic development activities within the communities served by our member banks.

» Provision of technical assistance to member banks and community organizations to foster a better understanding of how the Bank's Community Lending Programs can meet the financing needs of the District.

Community Lending Related Initiatives & Lending Goal for 2016

Initiatives for 2016

In an effort to both meet the identified community lending needs in our District and further the results achieved in 2015 the Bank will undertake the following community lending initiatives for the year 2016:

A. Encourage continued use of the Bank's CICA products and programs
   - » Continue to build relationships with community and economic development organizations
   - » Identify and focus outreach efforts to raise program awareness in target areas within the district where program participation is lacking
   - » Consider special offerings to increase program participation

B. Provide technical assistance to members and community groups
   - » Participate in and support conferences and workshops sponsored by community organizations
   - » Conduct meetings with member banks and community organizations to increase awareness of the Bank's community lending programs

C. Provide informational and marketing outreach
   - » Press releases
   - » Special Mailings
   - » The Bank's website, www.fhlbny.com

D. Obtain feedback from members, non-profit sponsors and counseling agencies
   - » Conduct focus group and one-on-one meetings with AHP and FHC program users to better understand what works well and where improvements in service levels are needed

Quantitative Community Lending Goal 2016

In 2015 the Bank approved $668.8 million in community/economic program UDA applications and $10.6 million in RDA applications, for a total of $679.4 million – $240.6 million less than the $920 million target goal established for 2015. From year to year the balances across the three community lending programs, CIP (Community Investment Program), UDA and RDA shift depending on the lending activity of members. In 2015, the Bank approved $1.3 billion in CIP applications versus $721 million approved in 2014. The CIP advances are focused on supporting single and multi-family residential lending activity. For 2014, UDA and RDA applications approved by the Bank totaled $1.1 billion.

The Bank proposes the following community lending goal for 2016:

- » Approve $700 million in new community/economic program UDA applications
- » Fund $675 million in UDA Advances
- » Approve $50 million in new community/economic program RDA applications
- » Fund $25 million in RDA Advances

Community Lending Related Initiatives for 2015

Community and Economic Lending in 2015

The Urban Development Advance ("UDA") and the Rural Development Advance ("RDA") programs serve as funding sources specifically for community lending and economic development activities. The UDA provides financing for economic development projects or programs in urban areas, benefitting individuals or families with incomes at or below 100% of the area median income level. The RDA provides financing for economic development projects or programs in rural areas, benefitting individuals or families with incomes at or below 115% of the area median income level. These programs offer low-cost advance rates and are available on a daily basis. From January to November 30, 2015, the Bank approved applications for a total of $668.8 million in UDA funds to the following projects:

Member Name	Project Name	Approved Amount
Amalgamated Bank	2015 UDA Mixed-Use/Commercial Loan Program	$100,000,000
NorthEast Community Bank	2015 UDA Mixed-Use/Commercial Loan Program	$30,000,000
Flushing Bank	2015 UDA Mixed-Use/Commercial Loan Program	$25,000,000
The Provident Bank	2015 UDA Mixed-Use/Commercial Loan Program	$20,000,000
Country Bank	2015 UDA Mixed-Use/Commercial Loan Program	$40,000,000
Flushing Bank	2015 UDA Mixed-Use/Commercial Loan Program II	$35,000,000
Oritani Bank	2015 UDA Mixed-Use/Commercial Loan Program	$60,000,000
Columbia Bank	2015 UDA Mixed-Use/Commercial Loan Program	$25,000,000
Five Star Bank	2015 UDA Mixed-Use/Commercial Loan Program	$20,000,000
Ridgewood Savings Bank	2015 UDA Mixed-Use/Commercial Loan Program	$40,000,000
Sterling National Bank	2015 UDA Mixed-Use/Commercial Loan Program	$100,000,000
PathFinder Bank	2015 UDA Mixed-Use/Commercial Loan Program	$70,000,000
Millington Savings Bank	2015 UDA - 4900 Bergenline Avenue, LLC	$2,675,000
United Roosevelt Savings Bank	2015 UDA - 5-7-9 Elm Row, LLC	$1,200,000
Flushing Bank	2015 UDA Mixed-Use/Commercial Loan Program III	$27,004,184

Hanover Community Bank	2015 UDA Mixed-Use/Commercial Loan Program	$10,000,000
The Suffolk County NB of Riverhead	2015 UDA Mixed-Use/Commercial Loan Program	$25,000,000
Five Star Bank	2015 UDA Mixed-Use/Commercial Loan Program II	$20,000,000
Flushing Bank	2015 UDA Mixed-Use/Commercial Loan Program IV	$7,954,046
Solvay Bank	2015 UDA Mixed-Use/Commercial Loan Program	$10,000,000

From January 1 to November 30, 2015 the Bank approved applications for a total of $10.6 million in RDA funds to the following programs:

Member Name	Project Name	Approved Amount
Lakeland Bank	2015 RDA - Nicholas Capital Advisors LP	$3,900,000
Lakeland Bank	2015 RDA - JFB Enterprises, LLC	$2,830,000
Lakeland Bank	2015 RDA - 319 Chris Gaupp Drive LLC	$1,760,000
Lakeland Bank	2015 RDA - Springdale Village LLC	$1,125,000
Lakeland Bank	2015 RDA – 399 Bloomfield Ave. LLC	$957,000

Disaster Relief

The Disaster Relief Program provides immediate financing in areas that have been officially designated as Federal or State disaster areas. The Bank did not offer any Disaster Relief Program funds in 2015.

Outreach and Technical Assistance Meetings

Throughout the year, Bank personnel hold numerous technical assistance meetings with our member banks and community development organizations, as well as participate in various conferences and seminars throughout the District. In these forums, the Bank presents successful projects and discusses how the Bank's products can be useful tools in meeting the challenges of community development. The Bank participated in over 50 outreach activities in 2015 including the following examples::

» On May 13, 2015, FHLBNY staff participated in a panel discussion at the New York State Association for Affordable Housing (NYSAFAH) Conference in New York, New York. The presentation highlighted how to use the Affordable Housing Program and the Community Lending Programs to fill funding gaps in affordable housing projects.

» On June 26, 2015, the FHLBNY sponsored a conference in St. Thomas, Virgin Islands. FHLBNY staff presented an overview of the Home Loan Bank's Community Investment products including the Affordable Housing Program, First Home Club and Community Lending Programs.

» On September 17, 2015, FHLBNY staff made a presentation at the FDIC conference in San Juan, Puerto Rico. FHLBNY staff presented an overview of the Home Loan Bank's Community Investment products including the Affordable Housing Program, First Home Club and Community Lending Programs.

» On October 20, 2015, FHLBNY staff participated in a panel discussion at the Housing and Community Development Network of New Jersey (HCDNNJ) Conference in East Windsor, New Jersey. The presentation focused on ways to combine the Affordable Housing Program and the Community Lending Programs with the National Housing Trust Fund.

Other Community Lending Related Activities in 2015

Community Investment Program ("CIP")

The Community Investment Program provides a continuous source of discounted rate advances for housing related activities for households whose incomes do not exceed 115% of the area median income. The Bank offers CIP funds as an incentive to its members for originating community investment financing. CIP funds may benefit member banks by providing discounted funds, enhancing CRA performance, enhancing profitability, and improving community and public relations. From January to November 30, 2015, the Bank approved $1.3 billion in CIP applications.

Affordable Housing Program ("AHP")

Created by Congress in 1989, the AHP provides subsidies to assist financial institutions in supporting the creation and preservation of housing for very-low, low, and moderate-income families and individuals. In 2015, the Bank conducted one AHP application round and received a total of 89 applications – 52 applications for projects located in New York; 17 for projects located in New Jersey; 1 application for a project located in Puerto Rico: and 19 applications for projects located outside of the Bank's District. In total, $75.1 million of subsidy was requested to finance 6,477 units of affordable housing. At the completion of the 2015 scoring round, 35 projects were awarded AHP funds, totaling $27.1 million. When completed these projects will produce 2,576 units of affordable housing, with 1,955 units dedicated to very low income households (50% or less of AMI).

First Home Club Program ("FHC")

The First Home Club was developed by the Home Loan Bank to help provide added financial incentive for savings toward homeownership for low- and moderate-income, first-time homebuyers. The Bank will provide up to four dollars for each dollar saved in a dedicated savings account, resulting in a grant of up to $7,500 per household. All households must participate in the systematic savings plan with a participating member institution for a minimum of ten months. In addition to requiring a First Home Club savings account, a participating household must participate in an approved homeownership counseling program. The Bank will also provide up to $500 to cover the cost of counseling. The benefits of a dedicated savings program and rigorous homebuyer counseling program are made evident by a foreclosure rate of less than one percent among First Home Club households.

Interest in the First Home Club has dramatically increased in recent years and the program has experienced tremendous growth in both household enrollments and closings as detailed below:

Year	Enrollments	Closings	Subsidy
2011	2,514	753	$5,826,210
2012	3,098	852	$6,658,392
2013	3,662	1,357	$10,725,048
2014	4,461	1,519	$12,071,544
2015 (projected)	3,400	1,800	$14,186,038

First Home Club Program Activity (since inception):

- » $100,300,383. total program allocation
- » $75,814,400 funded to 10,742 First Home Club households.
- » 7284 households are currently enrolled and fulfilling program requirements

As of November 30, 2015, there are 73 HLB member banks approved to participate in the program.

Letters of Credit

The Bank's Letter of Credit ("LOC") product supports community development by reducing transaction cost and enhancing the marketability of various bond issuances.

As of October 31, 2015, the Bank had a total of 475 outstanding letters of credit amounting to $12,571,701,315 consisting of the following letter of credit types:

Total Outstanding	Letter of Credit Type	Amount Outstanding
10	CICA Letters of Credit	$65,443,824
4	Standby Letters of Credit	$15,461,991
424	Municipal Letters of Credit	$11,502,405,500
37	Refundable Municipal Letters of Credit	$988,390,000

Below is an example of an LOC issued in 2015:

» At the request of First Niagara Bank, National Association, a nationally chartered commercial bank in Buffalo, New York, the Bank issued a confirming standby LOC, in the amount of $8,335,709 over a term of two years beginning on October 15 and expiring on October 15, 2017 in favor of the New York State Housing Finance Agency, to credit enhance a First Niagara Bank's direct pay letter of credit. The New York State Housing Finance Agency made a mortgage loan to Evergreen Lofts Supportive Residence, L.P. in Buffalo, New York, for the construction of 56 multifamily residential rental housing units at three locations in Buffalo, New York for low-income families with annual income at or below 60% of the median family income for the area, by issuing tax-exempt housing revenue bonds to finance the loan.

Exhibit A

District II Market Profile

District II Unemployment & Job Data

National:

The national year-over-year unemployment rate fell from 5.9% in September 2014 to 5.1% in September 2015.[1]

New York State & New York City:

New York State's unemployment rate decreased from 6.0% in September 2014 to 5.1% in September 2015. The rate for New York City decreased from 6.7%, as reported in September 2014, to 5.2%, in September 2015.[2]

New Jersey:

The New Jersey unemployment rate decreased from 6.4% in September 2014 to 5.6% in September 2015.[3]

Puerto Rico:

The Puerto Rico unemployment rate decreased from 13.9% in September 2014 to 11.4% for September 2015.[4]

District II Civilian Labor Force (Employed vs. Unemployed)

The table below displays the District II civil labor force numbers broken out for employed and unemployed persons as of September 2015 (numbers in thousands). [5,6,7,8]

District II Civil Labor Force		
District	**Employed**	**Unemployed**
New York State	9,131.4	486.1
New York City	6,700.4	347.0
New Jersey	4,266.08	251.4
Puerto Rico	1,003.1	129.4

[1] United States Department of Labor, Bureau of Labor Statistics – Databases, Tables & Calculators (National)
http://data.bls.gov/timeseries/LNS14000000
[2] New York State – Department of Labor
http://labor.ny.gov/stats/pressreleases/pruistat.shtm
[3] United States Department of Labor, Bureau of Labor Statistics – Databases, Tables & Calculators (New Jersey)
http://data.bls.gov/timeseries/LASST340000000000005?data_tool=XGtable
[4] United States Department of Labor, Bureau of Labor Statistics – Databases, Tables & Calculators (Puerto Rico)
http://data.bls.gov/timeseries/LASST720000000000006?data_tool=XGtable
[5] United States Department of Labor, Bureau of Labor Statistics – New York Economy at a Glance
http://www.bls.gov/eag/eag.ny.htm
[6] United States Department of Labor, Bureau of Labor Statistics – New York-White Plains-Wayne Economy at a Glance
http://www.bls.gov/eag/eag.ny_newyork_md.htm
[7] United States Department of Labor, Bureau of Labor Statistics – New Jersey Economy at a Glance
http://www.bls.gov/eag/eag.nj.htm
[8] United States Department of Labor, Bureau of Labor Statistics – Puerto Rico Economy at a Glance http://www.bls.gov/eag/eag.pr.htm
http://www.bls.gov/eag/eag.pr.htm

Population and Demographics:

New York:

The U.S. Census Bureau estimated that in 2014 New York's population had increased to 19,746,227 residents from 19,378,112, a 1.9% increase while the population of the United States increased by 3.3% overall. The foreign-born population of New York increased 22.1% between 2009 and 2013 whereas it increased 12.9% in the United States as a whole. [9]

New Jersey

The U.S. Census Bureau estimated that in 2014 New Jersey's population had increased to 8,938,175 residents from 8,791,936 in 2010, a 1.7% increase. [10]

The foreign-born population of New Jersey increased 21.2% between 2009 and 2013.

Puerto Rico:

The U.S. Census Bureau estimated that in 2014 the Commonwealth of Puerto Rico's population had decreased to 3,725,789 residents from 3,721,527, a .11% decrease.[11] The U.S. Census Bureau expects the trend to continue.[12]

Virgin Islands:

In July 2015 the CIA estimated population of the Virgin Islands was 103,574.[13] The U.S. Census Bureau estimated that the population was 106,405 in 2010, a 2.73% increase.[14]

Affordable Rental Housing

New York:

In New York, the Fair Market Rent (FMR) for a two-bedroom apartment is $1,335. A renter household needs a monthly income of $4,450, or an annual income of $53,401, in order for a two-bedroom rental unit at the FMR to be affordable.

[9] United States Census Bureau: New York
http://quickfacts.census.gov/qfd/states/36000.html
[10] United States Census Bureau: New Jersey
http://quickfacts.census.gov/qfd/states/34000.html
[11] United States Census Bureau: Puerto Rico
http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk
[12] Puerto Rico Commonwealth totals: Vintage 2012
http://www.census.gov/popest/data/puerto_rico/totals/2012/index.html
[13] VI 2015: Central Intelligence Agency World Factbook:
https://www.cia.gov/library/publications/the-world-factbook/geos/vq.html
[14] VI 2010: U.S. Census:
https://www.census.gov/2010census/news/releases/operations/cb11-cn180.html

Assuming a 40-hour work week, 52 weeks per year, this level of income translates into a housing wage of $25.67. A minimum wage worker earns an hourly wage of $8.75. In order to afford the FMR for a two-bedroom apartment, a minimum wage earner must work 117 hours per week, 52 weeks per year. Or a household must include 3.15 minimum wage earners working 40 hours per week year-round in order to make the two-bedroom FMR affordable.[15]

A unit is considered affordable if it costs no more than 30% of the renter's income. In New York, 54.7% of renters in 2014 spent more than 30% of income on rent. [16]

New Jersey:

In New Jersey, the Fair Market Rent (FMR) for a two-bedroom apartment is $1,309. In order to afford this level of rent and utilities, without paying more than 30% of income on housing, a household must earn $4,362 monthly or, $52,347, annually. Assuming a 40-hour work week, 52 weeks per year, and this level of income translates into a Housing Wage of $25.17.

In New Jersey, a minimum wage worker earns an hourly wage of $8.38. In order to afford the FMR for a two-bedroom apartment, a minimum wage earner must work 120 hours per week, 52 weeks per year. Or, a household must include 3.0 minimum wage earner(s) working 40 hours per week year-round in order to make the two-bedroom FMR affordable. [17] A unit is considered affordable if it costs no more than 30% of the renter's income. In New Jersey, 54.7% of renters in 2014 spent more than 30% of income on rent.[16]

Puerto Rico:

In Puerto Rico, the Fair Market Rent (FMR) for a two-bedroom apartment is $547. In order to afford this level of rent and utilities, without paying more than 30% of income on housing, a household must earn $1,825 monthly or, $21,899, annually. Assuming a 40-hour work week, 52 weeks per year, and this level of income translates into a Housing Wage of $10.53.

In Puerto Rico, a minimum wage worker earns an hourly wage of $7.25. In order to afford the FMR for a two-bedroom apartment, a minimum wage earner must work 58 hours per week, 52 weeks per year. Or, a household must include 1.5 minimum wage earner(s) working 40 hours per week year-round in order to make the two-bedroom FMR affordable.[18]

[15] National Low-Income Housing Coalition; Out of Reach 2015 - New York
http://nlihc.org/oor/new-york

[17] National Low-Income Housing Coalition; Out of Reach 2015: - New Jersey
http://nlihc.org/oor/new-jersey

[18]National Low-Income Housing Coalition; Out of Reach 2015: Puerto Rico
http://nlihc.org/oor/puerto-rico

[16]Apartment list Rentonomics: https://www.apartmentlist.com/rentonomics/which-cities-and-states-have-the-most-cost-burdened-renters/

Hourly Wage required to afford a 2 bedroom apartment, from 2014 to 2015

Jurisdiction	Hourly Housing Wages For 2-Bedroom (2014)	Hourly Housing Wages For 2-Bedroom (2015)	Percent Increase/(Decrease) 2-Bedroom Housing Wage
United States	$18.92	$19.35	2.27%
New York	$24.87	$25.67	3.22%
New Jersey	$24.92	$25.17	1.00%
Puerto Rico	$10.19	$10.53	3.34%

Percent of Renters Spending over 30% of Income on Rent

Jurisdiction	(2013)	(2014)	Percent Increase/(Decrease)
United States	51.5%	51.8%	.58%
New York	53.8%	54.7%	1.67%
New Jersey	53.8%	52.9%	-1.67%

State of the Nation's Housing

In its annual housing report, "The State of the Nation's Housing 2015"[1], the Joint Center for Housing Studies of Harvard University highlights several housing demographic trends on household growth. In its research, the Joint Center has consulted a number of sources which largely indicate that while the economy has shown signs of recovery over the past year, fallout from the housing crash and Great Recession lingers. Annual household growth jumped to about 800,000 in the last quarter of 2014 after running at an annual pace of 500,000 for much of the year. The Joint Center projects for the ten years ending 2025 a revival in household growth to 1.2 million annually.

The surge in household growth during the last quarter of 2014 is largely due to an exceptionally strong demand for rental units. The Joint Center report references the Housing Vacancy Survey's count, renter household growth has averaged 770,000 annually since 2004. This makes 2004–14 the best 10-year period for renter growth since the late 1980s. While soaring demand is often attributed to the millennials' preference to rent, households aged 45–64 in fact accounted for about twice the share of renter growth than households under the age of 35. Similarly, households in the top half of the income distribution, although generally more likely to own, contributed 43 percent of the growth in renters.[2]

Demand for rental housing far exceeds the demand for homeownership with the number of homeowners falling for eight straight years to a low of 64.5% in 2014 and a continued decline to 63.7% for the first quarter of 2015. The continued sluggishness in homeownership reflects the fact that traditional homebuyers, those age 35 to 54, continue to be impacted by economic pressures including the erosion of household income and restricted access to financing.

Demographic Drivers:

Ethnic and Racial Diversity and Aging Population

Two long-term trends have emerged that have widespread implication for housing demand: the growth in immigrant and minority households and the overall aging of the US population. The median age of the US population is 37.8 years and is projected to reach 41.0 years in 2035 as the baby-boom generation ages. Over the next two decades, the number of adults aged 70 and over will thus increase by 91 percent. The millennial generation (those born 1985–2004) number more than 86 million and exceed that of the baby boomers at similar ages. Since renting is usually the first step in independent living, the millennials have already contributed to the robust growth in renter households over the past few years. It is anticipated that the millennials are likely to participate more fully in the first-time buyer and trade-up markets as over the next two decades, the aging of the millennials will increase the population in the key 30–49 year old age group by 17 percent.

[1] Joint Center for Housing Studies of Harvard University: The State of the Nation's Housing 2015
http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs-sonhr-2015-full.pdf

[2] Executive Summary: Rental Market Boom: Page 2

Millennials are also driving the increase in racial and ethnic diversity. The minority share of this generation is 45 percent as compared to a 28 percent share among baby boomers. Hispanics make up 22 percent of the millennial generation, compared with 10 percent of the baby boom. Minorities are expected to drive 76 percent of net household growth over the next 10 years. The growing diversity of US households highlights the need for alternative types of housing that address a broad range of cultural preferences; including larger homes that accommodate these family groupings. [3]

Immigrants still account for a substantial share of household growth in the United States. The foreign born represent a significant source of housing demand; accounting for a third of the housing growth in the 2000's. Although still below the 1.2 million annual average in 2000–07, the pace of immigration is projected to pick up in the decades ahead and add significantly to the growth in housing demand.[4]

The growing diversity of US households will result in the need for alternative types of housing reflecting a broad range of cultural, affordability and accessibility preferences.

Income

Six years after the recession's official end, households are just starting to see modest income growth. Real median household income rose an estimated 2 percent between 2012 and 2013, to $51,900. Recent income growth has not been shared equally; the setbacks for some age groups have been larger than for others. For example, real incomes for households aged 25–34 are back to mid-1990s levels, while those for households aged 35–44 are at mid-1980s levels and real incomes for households aged 45–54 are at their lowest level since the late 1960s. Households aged 55–64 are the only age group that did not see income growth in 2013; their median income fell 3 percent last year to stand 7 percent below the 2003 level. Weak income growth among this age group is particularly concerning because these adults are at the stage in life when they should be saving for retirement. Median incomes for each major racial/ethnic group have also fallen significantly. Overall, the median household income of minorities in 2013 was $17,600 (30 percent) below that of whites.

[3] Demographic Drivers: Chapter 3: page 13

[4] Demographic Drivers: Chapter 3: page 14

Rental Housing

The Joint Center's 2015 study reports demand for housing continues to be strong and is lead by the renter market. Renter household growth has averaged 770,000 annually since 2004. Households aged 45 to 64 accounted for twice the share of renter growth than households under age 35. Rental housing has its own challenges as increasingly more renters are paying over 30% of their annual income to cover housing cost. Cost burden renters are also a significant factor in the decline in homeownership. The percentage of cost burdened renters age 25 to 34 increased from 40% to 46% over the past ten years. Over the same ten years, student debt for this same age group jumped from 30% to 41%. With such large shares of households struggling with high cost and debt fewer are able to save or anticipate income growth within the near future. Single family rentals have absorbed an increasingly large share of renter household growth, dramatically increasing from 138,000 units per year in the early 2000's to 513,000 units by the end of the decade. When rental demand began to climb after the housing bust, conversions of owner – occupied single family homes to rentals accommodated much of this growth. Single family housing makes up nearly 40 percent of the overall rental stock and provides homes for 16.7 million households.

The tightening in rental markets was widespread, with 91 of the 93 metropolitan areas tracked by MPF Research reporting higher rents. Increases were at least 4 percent in more than a third of metros and at least 3 percent in just under half. [5]

Homeownership

Demand for rental housing far exceeds the demand for homeownership with the number of homeowners falling for eight straight years to a low of 64.5% in 2014 and a continued decline to 63.7% for the first quarter of 2015 Homeownership continues to be a positive goal for households regardless of race, ethnicity or age. Despite the preference for ownership over renting, homeownership across the US is at its lowest rate since 1993. California, Texas and New York represent the states with the largest declines in homeownership rates. The continued sluggishness in homeownership reflects the fact that traditional homebuyers, those age 35 to 54, continue to be impacted by economic pressures including the erosion of household income and restricted access to financing.

The Joint Center reports that communities with the largest losses of homeowners were formerly similar to the typical US neighborhood. For example, the high-distress areas had only slightly higher average vacancy rates (12.2 percent vs. 10.9 percent), slightly lower median household incomes ($54,000 vs. $59,000), slightly lower median home values ($238,000 vs. $254,000), and identical shares of single-family homes (69 percent). The biggest difference, however, is that these neighborhoods had a significantly higher share of minority residents. Given the concentration of risky lending and foreclosures in these neighborhoods, minority communities suffered the most severe losses in homeownership after the downturn.

According the Joint Center 2015 report, the first time homebuyer share of home purchases fell from 38 percent in 2013 to 33 percent in 2014. The reasons for the decline appear to be driven by financial pressures including student debt and delays in life events (marriage and births) among the 25 to 34 year old age group.

Recent buying patterns are roughly consistent with those of a decade ago, with nearly half of first-time buyers purchasing homes in suburban areas and 31 percent buying homes in center cities. Moreover, the vast majority (91 percent) of first-time buyer households purchased single-family homes.[5]

Housing Construction Trends

Homebuilding activity increased, with housing starts up 8.5% in 2014 and surpassing the 1 million unit mark. This growth amounted to under 80,000 additional units but still was lagging below any level posted from 1959 to 2007. The demand for rental housing over homeownership is also evident in the continued strength in multifamily construction. The number of multifamily starts rose steadily to approximately 360,000 units in 2014, hitting its highest level since 1987. The majority of multifamily dwellings have been built for higher income households. Over two-thirds of today's renter households cannot afford a new unit assuming a standard of 30 percent of income.

Single family construction starts increased by 30,300 units in 2013-14, to 647,000. The lackluster construction starts is a response to the weakness in new home sales, which increased only 2 per cent in 2014 and the sale of existing homes which dropped 2.9 per cent. In addition, many homes continue to be mired in foreclosure.

The Joint Center report indicates that the private sector cannot profitably supply very-low to moderate income housing units; therefore government must play a critical role in ensuring access to quality, affordable housing. Appropriations for programs subsidizing construction of affordable housing have fallen well below levels of a decade ago.

There is an increasing effort to preserve existing housing stock. Of the nearly 2.2 million existing assisted units, 1.2 million are in LIHTC developments and 530,000 are privately held properties with rents subsidies. The owners of this housing stock are faced with decisions that involve the preservation of affordable housing or opting out.

Housing Challenges:

While the past year brought some relief, fallout from the housing crash and Great Recession lingers on. Large shares of low income households—and renters in particular—continue to spend unreasonable shares of their income on housing. With income growth failing to keep pace with rents, affordability pressures are unlikely to ease noticeably in the near future. And with such large shares of households struggling with housing cost burdens, fewer are able to save adequately for emergencies, retirement, or to buy homes, thereby limiting their wealth-building potential as well as

[5] Page 22: Chapter 4: Homeownership

shrinking the first-time homebuyer market. Meanwhile, the number of affordable units for lowest-income households falls far short of need, and preserving the stock that does exist must take priority. [6]

SUMMARY ASSESSMENT: What This Means for FHLBNY Affordable Housing and Community/Economic Development Programs

The Bank District territory includes States with the highest rate of all households who are severely cost burdened. New York ranks second and New Jersey ranks fourth. New York and New Jersey are tied for fifth place among states with the highest median monthly gross rents in multi-family buildings. Although unemployment has been falling as it has nationwide in the District, households in New York and New Jersey have higher housing wages needed to afford the Fair Market Rent than the rest of the nation. New York and New Jersey are tied for fifth place among states with the highest share of renters with cost burdens.

The overall population is increasing less than the nationwide average in New Jersey and New York, but the percentage increase of foreign-born people is much greater than in the nation. Like the overall population, the trend is towards rental housing versus homeownership as the millennial group and immigrant population grows. The American Dream of homeownership is still a goal of many households.

Early in 2016, the Bank will be discussing the demographic, economic and housing trends with its Affordable Housing Advisory Council and Housing Committee as to enhance outreach plans and to further identify areas to target within the district. To date the Bank has experienced an increase in rental over homeownership AHP applications and increased demand for the use of FHC. The Bank will continue to review its historic trends in applications for AHP, FHC and CLP proportionate to the population to further identify gaps and needs in those areas.

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