Federal Home Loan Bank
NEW YORK

Targeted
Community Lending Plan
— 2023 —

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), thank you for turning to this resource to gain insights into the credit and affordable housing needs of our district and into our decision-making regarding policies, products, and programs.

This is the 2023 Targeted Community Lending Plan (Plan). At a high level, it shows how persistent the needs are in New York, New Jersey, Puerto Rico, and the U.S. Virgin Islands, from the years prior to the COVID-19 pandemic through today.

We at the FHLBNY are truly lucky to be part of many successes: making large and small development deals feasible, getting families into their first home, or providing non-profit organizations with the skills and resources to grow and thrive. Looking at the consistency of headline figures in this and previous years' Plans, though, it could be easy to discount these moments. But perhaps one source of optimism is the increasing use of evidence to make strategic decisions about how to use scarce resources.

In the face of the challenges to low-income residents and especially to communities of color described in this Plan, many of which have been created through policy choices, we are encouraged to see signs of intentional responses. At a national level, Fannie Mae and Freddie Mac have begun incorporating on-time rental payments in their underwriting models. And at a local level, at least one FHLBNY member has deployed a Special Purpose Credit Program to provide down-payment assistance to borrowers of color. Other FHLBNY members considering developing such a program will find thought partners at the FHLBNY and references to sufficient supporting data throughout this Plan.

The FHLBNY, too, consistently strives to innovate in response to the identified needs, both through its regulated programs (the Affordable Housing Program General Fund, the Homebuyer Dream Program®, and the Community Lending Programs) and its discretionary activities endorsed by the Board of Directors of the Federal Home Loan Bank of New York.

We could not do this work — and do it in a way that is consistent with regulatory requirements and the business needs and processes of our partners — without help. Thank you to the members of the Affordable Housing Advisory Council (AHAC) and the Housing Committee of the Board of Directors, our members, and community partners and practitioners for being generous with your time and sharing your expertise with us throughout the year. Your insights guide this Plan and the practical choices that flow from it.

Deepening these key relationships is just one of the ways the Community Investment staff is delivering on the FHLBNY's overall three-year, 2022–2024 Strategic Plan. We also want to ensure that our products and programs add to the value proposition for FHLBNY membership, and that our own staff is trained and empowered to be leaders and trusted partners in the industry.

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,

Michael A. Volpe
Senior Vice President and Interim Community Investment Officer
Federal Home Loan Bank of New York

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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) General Fund 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 rate advances 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 Federal Home Loan Banks (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 (AHAC) 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; 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 (Plan).

Where the credit and affordable housing needs identified by the Plan are challenging to address through one of the above regulated programs, the FHLBNY's management and its Board of Directors can make strategic charitable investments in high-capacity organizations. In 2022, these discretionary contributions included supporting the Partnership to End Homelessness, which provides rental arrears to low-income New Yorkers to prevent evictions and homelessness; the Legal Aid Society, to allow it to provide foreclosure prevention and estate-planning services to low-income and minority homeowners; Enterprise Community Partners, to build on a successful investment from the previous year and provide additional capacity-building services to minority- and women-owned developers; and the Newark, New Jersey affiliate of Local Initiatives Support Corporation (LISC), to provide affordable pre-development financing for similar types of developers.

In the closing months of 2022, the FHLBNY also disbursed funds to key partners in Puerto Rico working on disaster relief and resiliency planning in the wake of Hurricane Fiona.

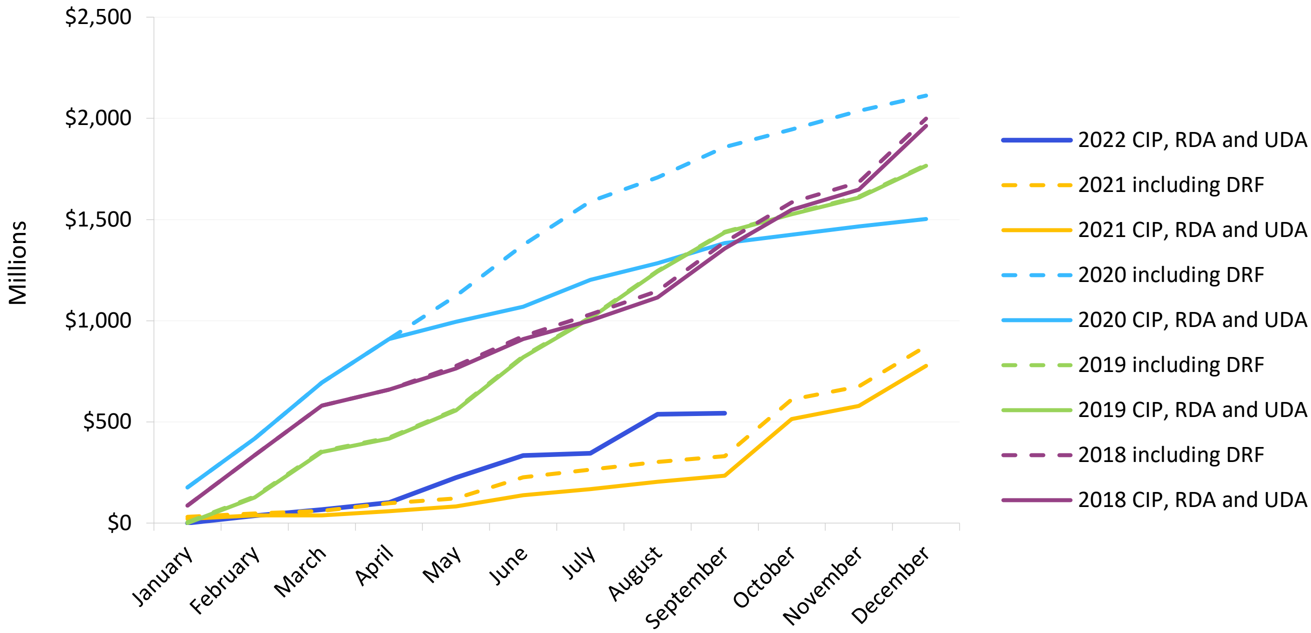
A. Credit needs through touchpoints with FHLBNY members and their customers

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 within 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 the communities across the district.

Going into the year 2023, FHLBNY members face a different credit market than they did at the same time the previous year. Whereas members were holding large sums of their customers' deposits and evidencing little need for borrowing to fund market activity, members now must respond to an increased interest rate environment. That change in need and demand is clear in *Figure 1* as follows, 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 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. Rather, it shows members' dependence on FHLBNY borrowing to fund such lending, as well as the FHLBNY's competitiveness with other sources of liquidity (including deposits).

Figure 1: Cumulative discounted rate advances by month issued to FHLBNY members as of September 12, 2022

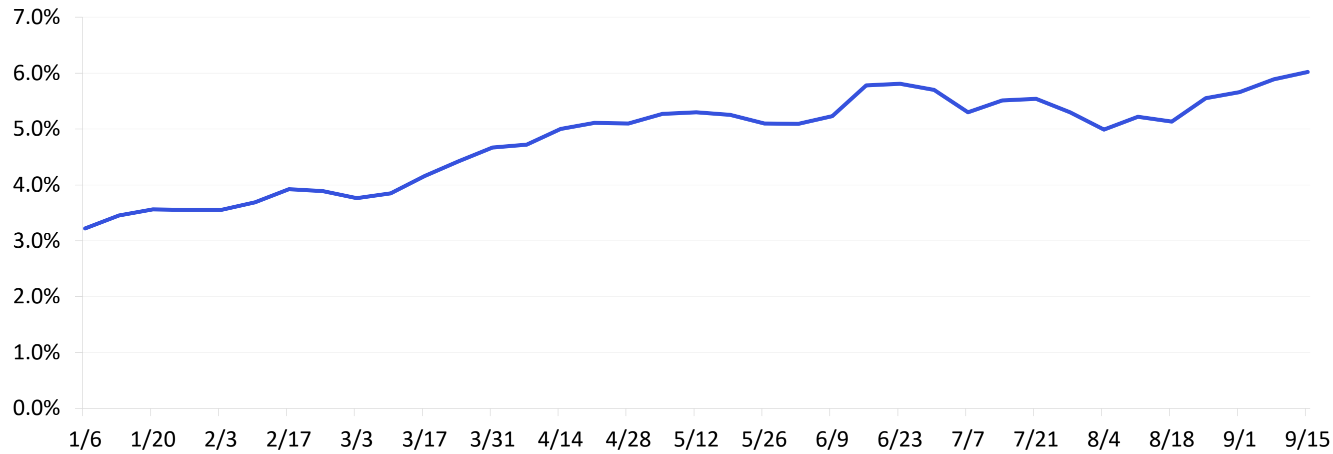


In the final months of 2021, the FHLBNY made available a limited amount of a new discounted rate advance product, the Business Development Advance (BDA). Modeled after similar programs at other FHLBanks, the BDA was essentially a discount fund: it used discretionary dollars to buy down the interest rate of members' advances to zero that were used to fund loans to small businesses. The program established a maximum spread that members could add to those loans above their cost of borrowing.

During the initial deployment of BDA, member response was positive, but ultimately the short timeframe allotted for small business loan production (by year's end of 2021) made it challenging to glean meaningful insights from members' experiences. The BDA was re-deployed in September 2022. Now with a longer period in which to conduct qualifying business with their customers, even more members have expressed interest in participation. Next year's Plan will hopefully be able to take advantage of programmatic data to better understand how members are serving their small business customers.

For FHLBNY members' household customers, the affordability of credit was dramatically lower as 2022 came to a close than it was at the beginning of the year. *Figure 2* as follows shows weekly average interest rates from Freddie Mac's Primary Mortgage Market Survey.[1] As of mid-September, rates were nearly twice what they were in January. Whereas going into 2022, low- and moderate-income would-be-homebuyers faced competition from households with higher incomes and greater assets. Also, as the year went on they increasingly had to contend with higher prevailing interest rates that made it even more difficult to make the leap to homeownership from renting.

Figure 2: 30-year fixed mortgage rates January 6-September 15, 2022



In dozens of conversations over the spring and summer of 2022, FHLBNY members said these mounting pressures were evident in their coverage areas and on the types of households that are much more sensitive to an increased in interest rates, who are typically their customers.

So, unlike the situation described in the 2022 Plan, members and their customers face real credit concerns in addition to the market challenges described in the subsequent sections.

B. Affordable housing needs, using an upward mobility lens

Like elsewhere in the country, many of the communities of the FHLBNY's district face a persistent housing crisis. While the availability of affordable, high-quality homes is a deeply-felt need, and by strictly considering the financial costs of housing is just one mechanism by which the cost of housing affects individual households' potential economic mobility. A more holistic picture is described in a study from the Urban Institute and Enterprise Community Partners[2], a study which provided the framework for assessing housing needs in the 2022 Plan and that is used here, as well.

The following sections document five complementary mechanisms that connect housing to mobility: housing quality, housing affordability, housing stability, housing that builds wealth, and neighborhood context. The evidence cited and analyzed comes primarily from industry-standard, national-level sources, which tend to be updated regularly and have well-documented methodologies. Where appropriate, local resources supplement the national figures.

Though these sections present ample quantitative evidence, the analysis and emphasis are guided by the continuous engagement between FHLBNY staff and members of the AHAC and of the Housing Committee of the Board of Directors; leadership of FHLBNY members, organizations involved with FHLBNY programs, and non-profits supported by FHLBNY charitable giving; and other experts in the district.

As stated in the 2022 Plan, 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

The economic mobility framework used for the 2022 Targeted Community Lending Plan suggested sourcing certain data that are generally produced by highly reputable organizations or government entities; produced in a similar way for most geographic areas within the United States; updated with a reasonable degree of regularity; and have a clear, logical link to one or more factors that catalyze or inhibit economic mobility.

However, not all recommended data sources pass all of these tests. For example, one suggested metric of housing quality 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. The 2022 Plan cited and described data at the county level as of the year 2017, as the most recent data set available from the Centers for Disease Control (CDC). Those data showed the number and 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.

However, in 2021, the CDC changed the reference level to 3.5 micrograms per deciliter, indicating greater caution[3], but the 2017 figures remain the latest on the CDC's website, likely because the compilations rely on state and county health departments that have been overburdened during the COVID-19 pandemic. This means it is not currently possible to assess county-level blood levels with the recommended indicator for any year, with the new reference level even with out of date data as 2017. Future Plans could return to this data source if the CDC publishes new files.

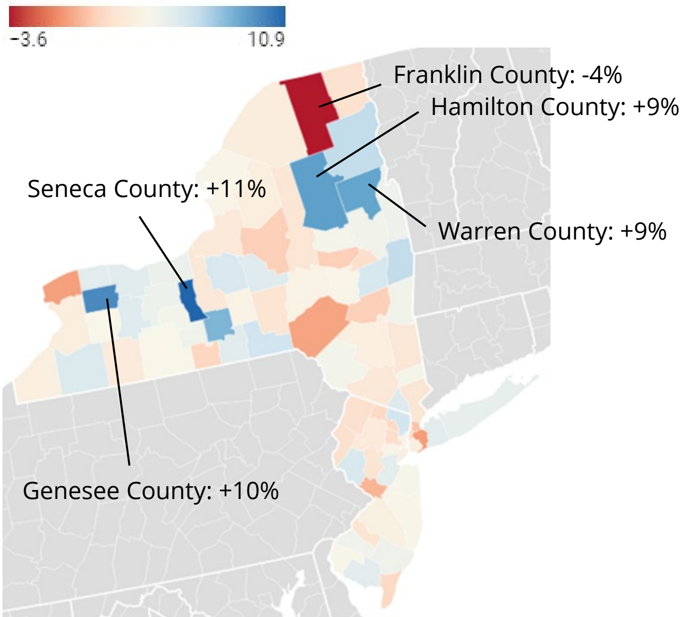
Another metric, housing tenure, used to determine housing quality in the 2022 Plan is available. Housing tenure, meaning the year owner-occupied and rental housing units were constructed, is available from the Census Bureau's American Community Survey (ACS), which generates estimates at the county level from compilations of five years of surveyed data. These surveys are of individual respondents, so the estimates are of occupied housing units, as opposed to physical units that may be vacant.

The age of housing units can be a contributing factor to mobility in several ways, from direct effects on health (not only lead, but also mold and air quality) but to persistent and occasionally emergency repair needs that drag on affordability, and to the lack of infrastructure for accessibility, which limits units' utility for residents at different stages of their lives or for those with special needs.

Figure 3 as follows shows the counties in New York and New Jersey, shaded by their average annual change in the percentage of their owner-occupied units that were built in 2000 or more recently, over the five-year period from 2016-2020.[4] Two notable findings from this map: First, a few counties stand out as having relatively high increases (dark blue), meaning that in recent years they have witnessed substantial growth in new owner-occupied housing. (Another possibility, that these counties simply saw a decrease in older units but little new building, is not supported by the data.)

Second, the estimates for the vast majority of counties shown in the map indicate few gains, and many decreases, meaning that more recently constructed owner-occupied housing is either going vacant or being converted to rental units. In large swaths of the district, new owner-occupied housing is not taking the place of older units. These dynamics are evident in data from the years preceding the pandemic's impact on building starts and homebuilding supply chains.

Figure 3: Average annual percentage increase in the percentage of owner-occupied units built 2000-present (2016-2020)

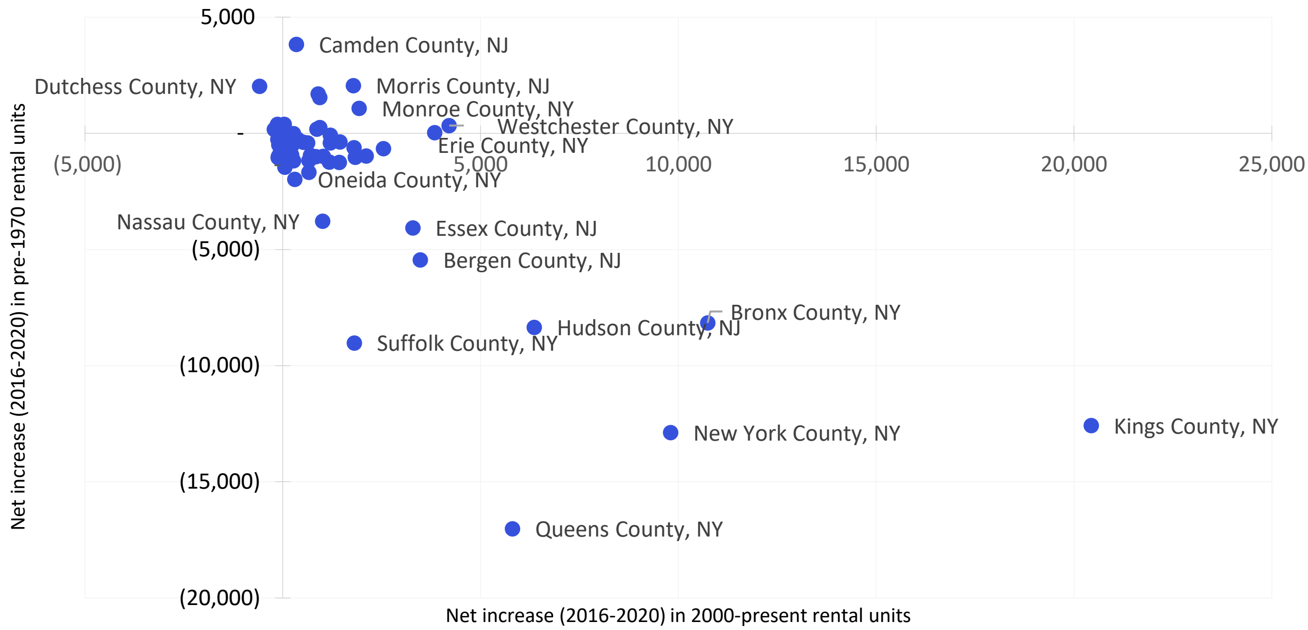


The map uses percentage changes, rather than absolute figures of newer units. Areas like Nassau and Suffolk Counties on Long Island gained about 3,000 and 7,000 newer units over this five-year period, but that was a lower relative change than the counties shaded with the deepest blue. In other words, the bluest counties likely witnessed the most noticeable changes in their owner-occupied housing stock. The remainder likely saw their challenges with aging, deteriorating properties persist.

On the rental side, the picture is largely similar: Few areas in which the housing stock meaningfully turned over from aging to new construction. In some of the district's counties with the lowest population, and with the lowest number of occupied rental units in the 2016 Census estimates, there were indeed tremendous percentage increases in newer rental units over the five-year period from 2016-2020, but this growth can likely be attributed to the construction of one or two apartment buildings in the county during the period.

Figure 4 as follows shows the changes in the rental housing stock during this five-year, pre-pandemic period. The largest counties saw the highest absolute gains in new rental units. But more striking are two other dynamics. First, that Manhattan, Queens and Suffolk County, among other areas, seem to have added fewer new units than the number of old rental units they lost. And second, that there were some counties, indicated by the dots above the x-axis, that added older rental units, meaning, presumably, that aging single-family homes became rental properties instead of homeownership opportunities.

Figure 4: Changes in occupied rental units by tenure and by county in New York and New Jersey (2016-2020)



In the larger municipalities in Puerto Rico, the 2016-2020 data also shows few signs of substantial change. During this period San Juan lost 148 newer owner-occupied homes and gained over 1,700 older ones. Perhaps the newer homes were converted to rental properties (there was a nearly equivalent gain in newer rental units), and renters of aging units were able to purchase their properties (the data are also suggestive of this). Bayamón, Carolina, Ponce, Caguas, and Guaynabo all either lost more older rental units than the number of newer ones they gained or, like San Juan, added older rental units.

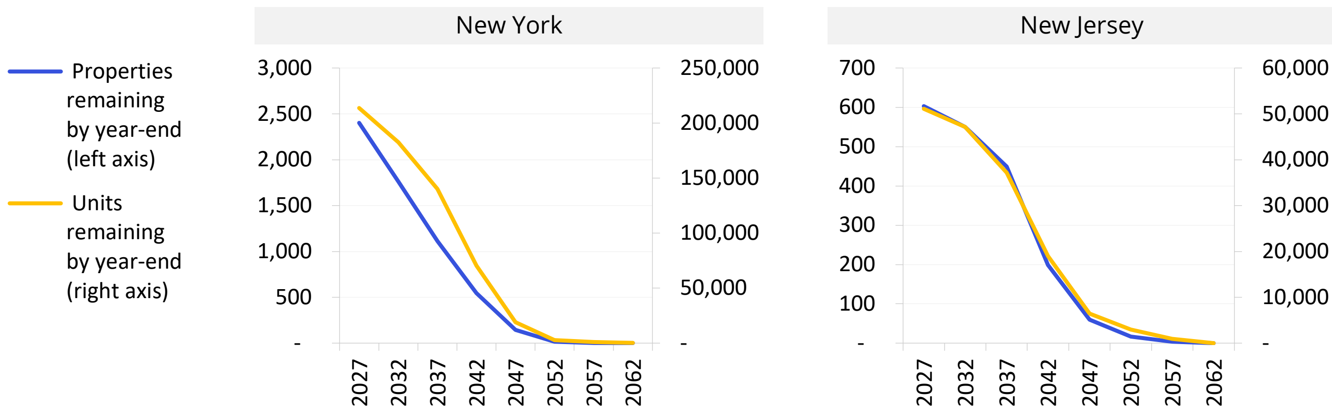
Returning stateside, the statistics on subsidized housing also align with this theme, that there are many units (homes) that are aging, and that turnover to newer, high-quality units is not keeping pace. The National Housing Preservation Database[5] compiles detailed information on federally assisted housing throughout the country, and researchers use the database to highlight the need to preserve the quality and affordability protections of these units. As described in previous years' Plans, the stock of subsidized affordable housing is eroding in New York and New Jersey (Puerto Rico and the U.S.V.I. are not included in the database) at a rate that exceeds the addition of new units.

Figure 5 as follows shows properties in New York and New Jersey, respectively, with funding from the federal Low Income Housing Tax Credit (LIHTC) program that were active as of the database's December 2021 update. (The database includes other federal funding programs, though generally not state-level subsidies.)

The graphs show how many units would remain under LIHTC affordability protections over time, if none of those units were to receive additional federal or state subsidy to extend their protections. When additional subsidy is available, and non-profit entities manage the properties, there are better outcomes for residents in terms of maintenance and evictions.[6]

In New York, the database shows that about 20,000 active LIHTC units will exit their last protections by the end of 2027, and another 31,000 by the end of 2032. Again, according to the database, about 17,000 LIHTC units were added in the state from the beginning of 2017 to the end of 2021, and about 37,500 in the previous five-year period. So, to prevent a true loss in the stock of subsidized housing, New York will need to preserve many of these units and produce new ones (using federal LIHTC or state programs) at a consistently high rate.

Figure 5: LIHTC properties in New York and New Jersey by latest end date of federal subsidies



In New Jersey, the numbers are somewhat more encouraging. By 2027, about 3,000 LIHTC units will see their subsidies expire, and, by 2032, another 4,000 units. In the period 2017-2021, the state added about 4,600, which followed about 11,000 in the previous five years.

Members of the AHAC consistently raise concerns about the risks of an eroding stock of affordable housing, not only the kind of dedicated affordable housing like LIHTC properties, but also what is called naturally occurring affordable housing, in the form of single-family homes and small apartment buildings. To help slow the erosion in this area, national and local[7] policymakers are trying to find ways to prevent acquisitions by corporations and instead support non-profit organizations that could either continue or take over property management.

The nationally aggregated figures shown above cannot hope to capture the exact numbers and nuances of all projects' status and outcomes and precisely calculate the risk of erosion. A recent report catalogues several challenges to the data's accuracy and timeliness presented by disparate collection and reporting practices across individual state housing finance agencies.[8] The same report notes that many residents of LIHTC properties earn well below the maximum income thresholds, meaning that even if properties extend their affordability restrictions, that would still allow for rent increases that could push current residents out of their homes. These issues compound the dilemmas continually faced by policymakers seeking to preserve and meaningfully grow the affordable housing stock.

In the FHLBNY district, public housing is at the heart of these issues. Previous years' Plans have catalogued the need for adequate funding to maintain the properties owned by the New York City Housing Authority, the nation's largest public housing entity, which serves over 300,000 residents. Going into 2023, it will be important to track the implementation of a new state law that allows the authority greater flexibility to obtain financing to rehabilitate and replace uninhabitable units.[9]

As will be noted throughout this Plan, housing data for the U.S.V.I. is generally less accessible from national-level sources. For example, the territory is not covered by the Census Bureau's American Community Survey, and much of the housing and demographic data from the 2020 Census will not be released until 2023.[10] But local sources confirm that many of the stateside challenges of an aging and substandard housing stock exist there, as well.

The Virgin Islands Housing Authority's 10-year plan and its Annual Plan describe a Portfolio Repositioning Strategy that will entail "significant redevelopment and/or rehabilitation of the entire public housing inventory," utilizing the Department of Housing and Urban Development's (HUD) Rental Assistance Demonstration program and other funding sources.[11] A portion of the portfolio will be rehabilitated, restoring quality to decades-old buildings, and a portion will be demolished and replaced with new units at alternate sites in the territory.

Across the district, then, deteriorating housing quality is recognized as a challenge for low-income residents, and restoring and improving housing quality is seen as a mechanism for ensuring economic mobility.

2. Housing affordability

Of the housing needs described in this report, housing affordability has the clearest link to economic mobility. Like the 2022 Plan, this Plan uses data on two key metrics of affordability: housing cost burden and crowding. Each year the National Low Income Housing Coalition (NLIHC) produces reports analyzing data from the Census Bureau's ACS, among other sources, to calculate the scale of the need for affordable housing at the state and local levels.

In one of these reports, the organization concentrates on the availability of units to households at various income levels, starting with those at or below 30% of the area median income ("extremely low income"). For those income levels, it also looks at the share of families spending more than 30% of their income on housing ("rent burdened") and more than 50% on housing ("severely rent burdened").

Table 1 below shows estimates for New York and New Jersey.[12] (Puerto Rico is not included in this report.) It also shows how the estimates have changed over the past five years' reports. Because the estimates use the ACS, the most recent data sources for the table's estimates are from the 2020 5-year compilations, and the 2018 report used the 2016 5-year estimates. That means that just as with the housing quality section, much of the analysis here still draws on pre-pandemic survey responses.

Table 1: Affordable and available rental units per 100 households by state

	New York		New Jersey	
	2022 report	Avg. annual % change (2018-2022 reports)	2022 report	Avg. annual % change (2018-2022 reports)
Surplus (Deficit) of Affordable and Available Units				
At or below ELI	(615,025)	0.0%	(207,801)	-0.1%
At or below 50% AMI	(684,778)	-0.9%	(274,283)	-1.2%
Affordable and Available Units per 100 Households at or below Threshold				
At or below ELI	36	0.8%	31	1.3%
At or below 50% AMI	54	1.0%	45	2.5%
At or below 80% AMI	84	0.3%	89	0.0%
At or below 100% AMI	96	0.3%	99	-0.2%
% Within Each Income Category with Severe Housing Cost Burden				
At or below ELI	70%	-0.4%	73%	0.0%
At or below 50% AMI	38%	-0.2%	38%	-1.0%
At or below 80% AMI	10%	-0.5%	7%	0.6%
At or below 100% AMI	4%	-2.9%	2%	-

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.[13] 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. Looking at the second column for each state, the data suggest there was little noticeable change in the five years leading up to the pandemic.

Another NLIHC report contrasts the average wages of renters with the fair market rents in their areas to show what proportion of households may be cutting back on other necessary expenses like food, education, healthcare, and savings.[14] That report uses inflation statistics to carry forward the same 2020 ACS survey data. However, in 2022 HUD changed the way it calculates fair market rents, blending ACS data with private-market data to account for low survey response rates during the first year of the pandemic[15], but this same improved methodology was not used by NLIHC for its 2022 report. So, *Figure 6* and *Figure 7* below show estimates of renters' income from NLIHC alongside estimates of rents from HUD[16].

Figure 6: Average annual change in estimated median renter household income (2019-2022)

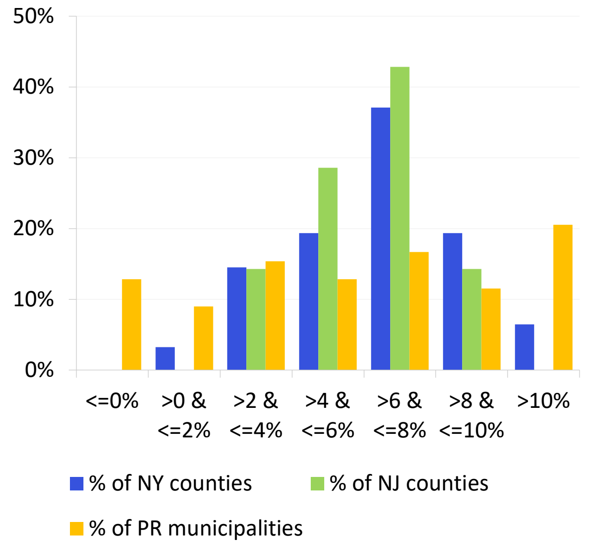
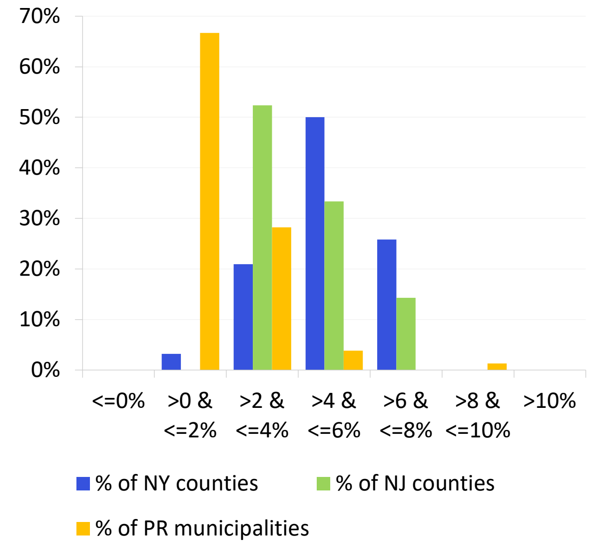


Figure 7: Average annual change in HUD fair market rents; 40th percentile (FY2019-FY2023)



Note: Incorporates October and April (mid-year) published figures for each fiscal year.

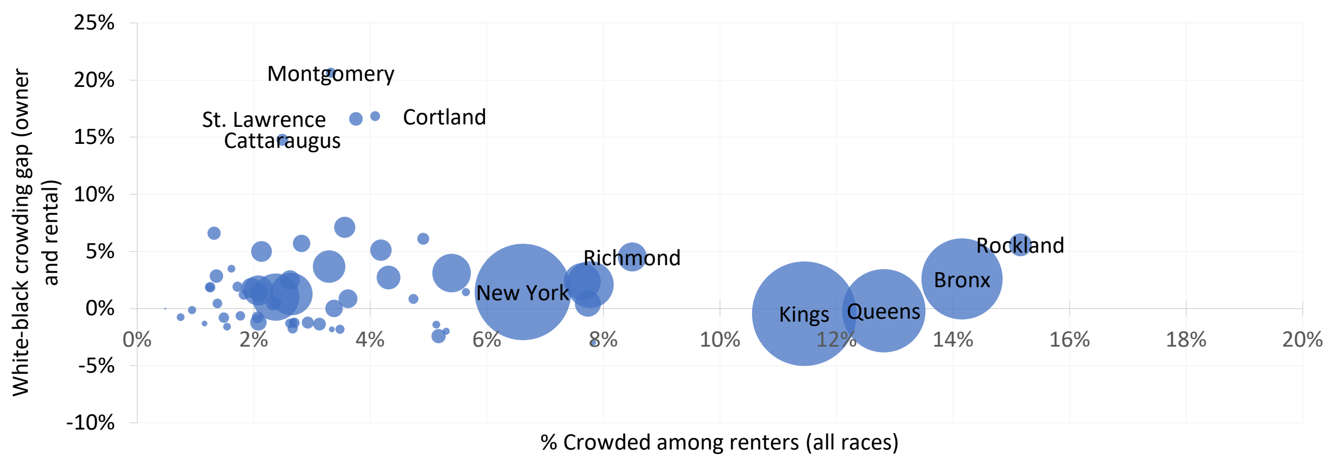
These figures suggest that incomes and rents were generally moving in alignment in the district during this period. In New York and New Jersey, the increases in renters' wages can in part be explained by the loss of homeownership opportunities, meaning more higher-income households were still renting. In many areas in Puerto Rico there was little change of note for either incomes or rents.

Even with the novel methodology used by HUD, these estimates still do not capture the full impact of the pandemic on renters' incomes or on the market dynamics in their areas; that will come with additional years' ACS data and other research. Still, the available data do not suggest an improvement in renters' circumstances that would let them devote greater resources to other needs.

When appropriate housing is either unaffordable or unavailable, households' response can be to double-up, stay in household formations longer, or otherwise have more individuals in a given housing unit than is comfortable or conducive to privacy, safety, and wellbeing. The ACS collects data on units occupied with more than one individual per room, disaggregated by the race of the householder.[17] These data suggest where and to what extent the affordability challenges differ by race.

Figure 8 below shows the racial disparities in crowding by county in New York State. These figures include both renter- and owner-occupied units. Most of the counties, especially the larger ones (denoted by the larger bubbles), are above the "0%" on the y-axis, meaning that a greater share of Black households are living in crowded circumstances than the share of white households. Notably, the biggest disparities by race are not in large urban areas, but rather in the rural areas of the state: 22% of Black households in Montgomery County, for example, are considered crowded, compared with just 1% of white households. (The ACS estimates just 537 units in the county are occupied by Black householders.) The counties with the highest degree of crowding among renters, specifically, regardless of race, actually have a lower racial gap.

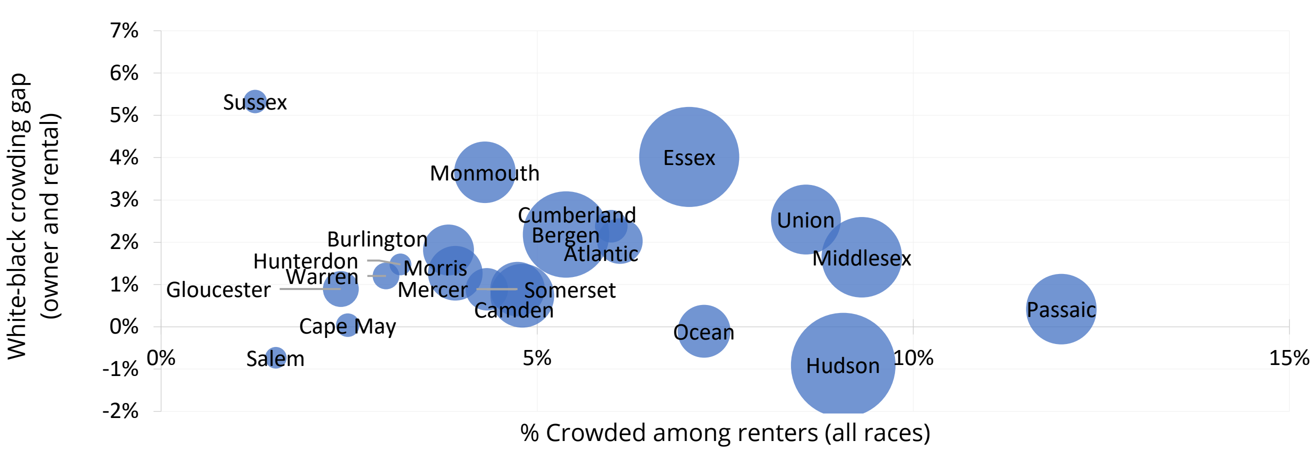
Figure 8: Difference in crowding between Black- and white-householder units in New York



Note: Bubble size corresponds to the number of renter-occupied units in a given county.

Figure 9 below shows that in New Jersey, as well, Black households in most counties live in more crowded circumstances (bubbles above the x-axis). The largest gaps are in Sussex (6% of Black households have greater than one individual per unit, compared with 1% of white households), Essex (7% and 3%), and Monmouth Counties (5% and 1%). New Jersey does not seem to have the extreme outliers in less-populated areas that New York does.

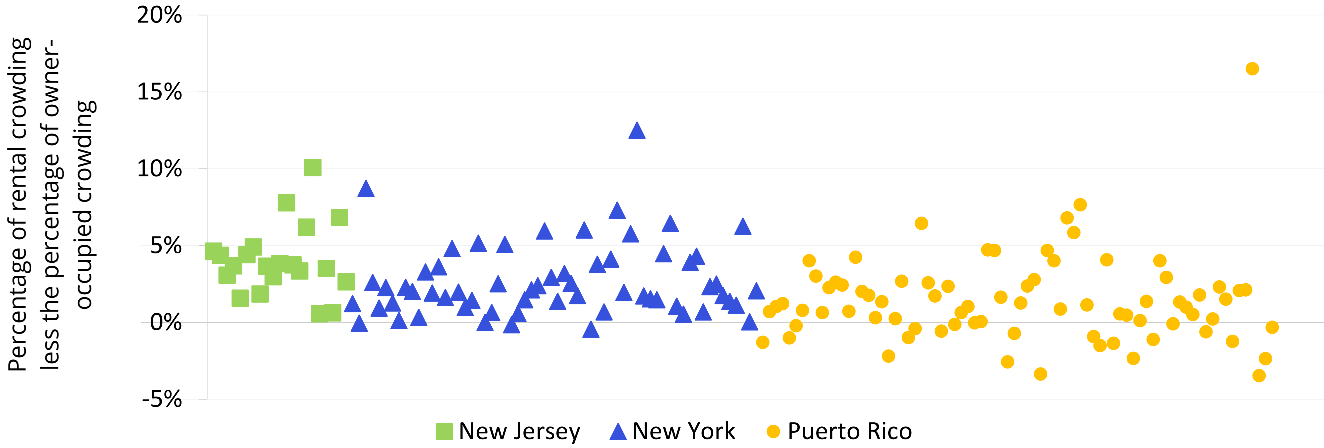
Figure 9: Difference in crowding between Black- and white-householder units in New Jersey



Note: Bubble size corresponds to the number of renter-occupied units in a given county.

In Puerto Rico, crowding seems to have a different profile than in New York and New Jersey. In those states, renters tend to report crowding (more than one individual per room) more so than do respondents in owner-occupied units. However, in Puerto Rico, there are higher rates of crowding in owner-occupied settings. *Figure 10* below shows the difference in crowding rates by county and municipality. Where the difference is positive (dots above the x-axis), a greater proportion of renters report crowding than the proportion of respondents in owner-occupied units. Note that many municipalities in Puerto Rico are below the x-axis. Further analysis suggests it is not strictly an issue of large or small, or urban or rural municipalities. Owner-occupied units in many areas of Puerto Rico seem to be just as crowded as neighboring rental units.

Figure 10: Difference between percentage of respondents in rental and owner-occupied units reporting crowding by county and municipality



The greatest obstacle to increased affordability, according to AHAC members and other experts, is the undersupply of new construction. In addition to the cost increases from supply-chain issues and inflation[18] that were already emerging prior to the 2022 Plan (now widening funding gaps for already-awarded LIHTC projects), another reported cause of delay is staffing turnover and shortages at the district's housing finance agencies.[19] Even where federal and state funding is, on the surface, readily available, agencies lack the capacity to execute transactions in a timely manner, causing further cost increases as inflation and professional services fees accumulate.

3. Housing stability

Housing stability is another building block for mobility: It provides a financial and psychological basis for accessing resources and making decisions about future opportunities.

One measure of stability is the number of students in kindergarten through 12th grade who reported being homeless at least one night during the previous school year (New York's metric) or the number of students who lack a fixed, regular, and adequate nighttime residence (New Jersey's). These data are collected by schools, meaning there is significant uncertainty about the figures from the schoolyears during the pandemic, when many schools were closed.

In New York State, the number of students considered homeless fell for a third consecutive year, as *Table 2* below shows.[20] From these data alone, it is difficult to disentangle the pandemic-related data collection challenges from genuine improvements in individual families' living situations (note these years also saw temporary eviction and foreclosure moratoria).[21] Just as the 2022 Plan stated, what is clear is that despite recent gains, homelessness among school children remains at an extremely high level in the state.

Table 2: Students identified as homeless in New York schools by school year

Totals	2017-2018	2018-2019	2019-2020	2020-2021
New York City	114,657	114,085	111,606	100,970
Rest of state	37,904	34,469	31,927	25,415

Note: Above figures include charter schools.

In New Jersey, where there were no doubt similar data quality concerns, the number of homeless students declined, as well, from 10,590 in the 2019-20 school year to 8,264 in 2020-21.[22] That overall change was the result of individual, local changes. For example, two of the largest school districts, Newark and Jersey City, saw increases in their homeless student population, both in number and proportion, whereas Trenton, Paterson and Elizabeth all saw decreases. During and beyond the pandemic, other data sources should complement these school data to meaningfully assess the challenges of housing stability.

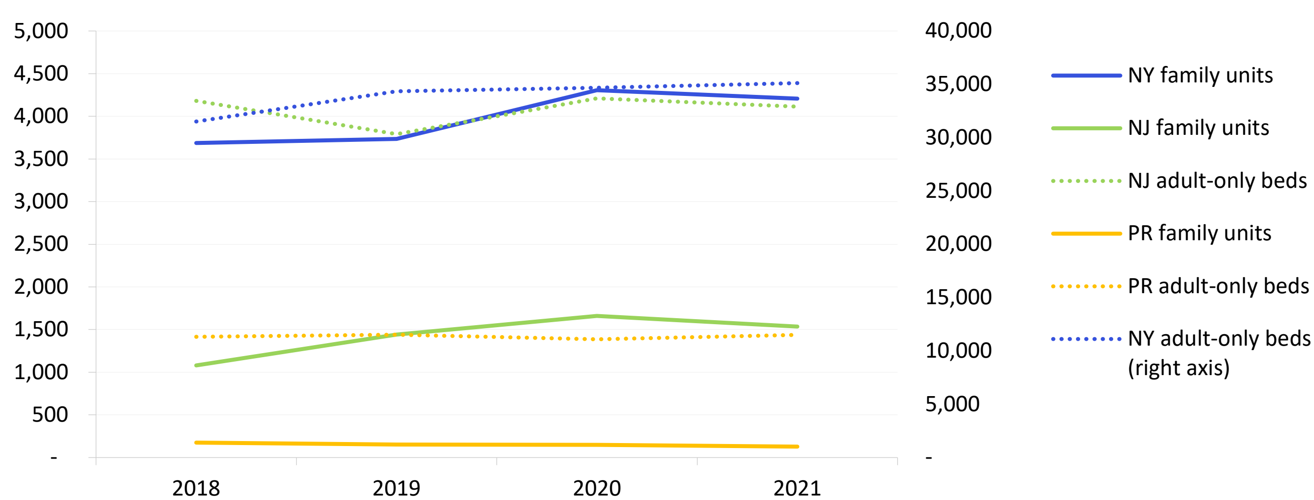
The annual Continuum of Care Point-In-Time data where counts of sheltered and unsheltered people provide further insights.[23] HUD's compilations suggest significant decreases in homelessness in the district, particularly among sheltered households with children, as *Table 3* as follows shows. Just as with the schools' data, some of these improvements can likely be explained by challenges with collecting and maintaining data[24] and by the temporary impact of eviction and foreclosure moratoria. (Because of concerns about close contact during data collection, HUD exempted local organizations from conducting and reporting surveys of unsheltered individuals.)

Table 3: HUD Continuum of Care Homeless Assistance Programs homeless populations and subpopulations

	2018	2019	2020	2021
New York				
Sheltered: Households without children	31,856	34,292	35,174	34,898
Sheltered: Households with children	16,474	15,989	15,266	12,409
New Jersey				
Sheltered: Households without children	4,352	4,317	4,571	4,695
Sheltered: Households with children	1,112	1,017	1,099	930
Puerto Rico				
Sheltered: Households without children	575	507	419	338
Sheltered: Households with children	35	41	44	37
U.S. Virgin Islands				
Sheltered: Households without children	108	82	72	64
Sheltered: Households with children	26	0	0	0

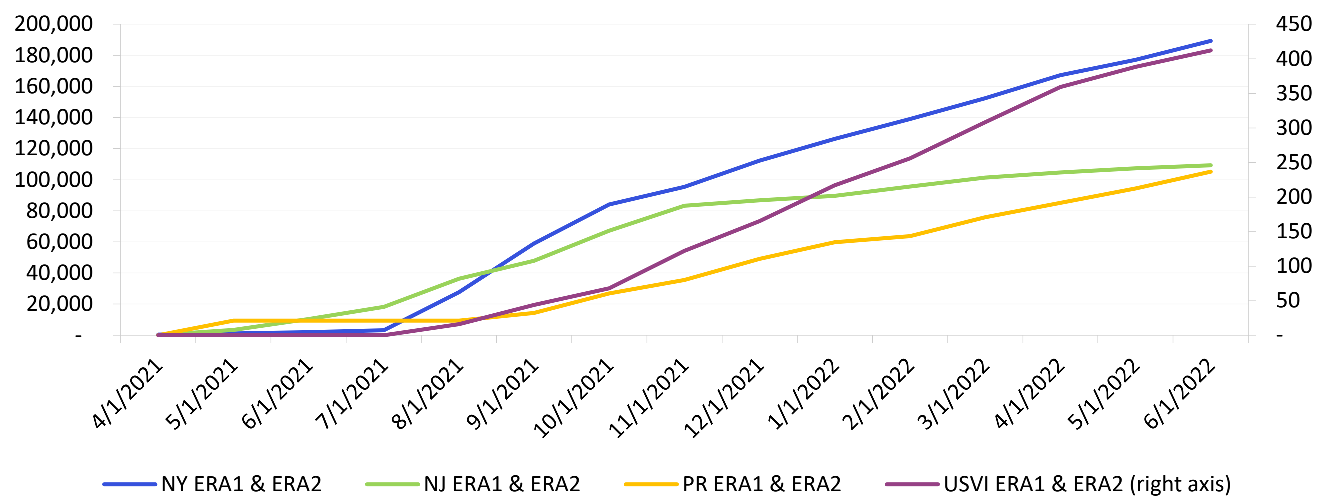
HUD also compiles an annual Housing Inventory Count of services offered by the Continuums of Care, designated networks of community organizations representing specific geographic areas, and these figures further undercut the proposition that there has been a significant improvement in homelessness in the district. *Figure 11* below shows the last four years' inventory counts, by state and territory, for permanent supportive housing units. (The U.S.V.I. is omitted because it reported zero such units for 2021 despite reporting figures in previous years.) These figures show little additional capacity for formerly homeless individuals or families.[25] Taken together with the analysis in the previous sections, which showed little growth in the rental housing stock, it seems reasonable to suspect that the challenges of homelessness remain as before the pandemic.

Figure 11: HUD Continuum of Care Homeless Assistance Programs Housing Inventory Count Report for permanent supportive housing



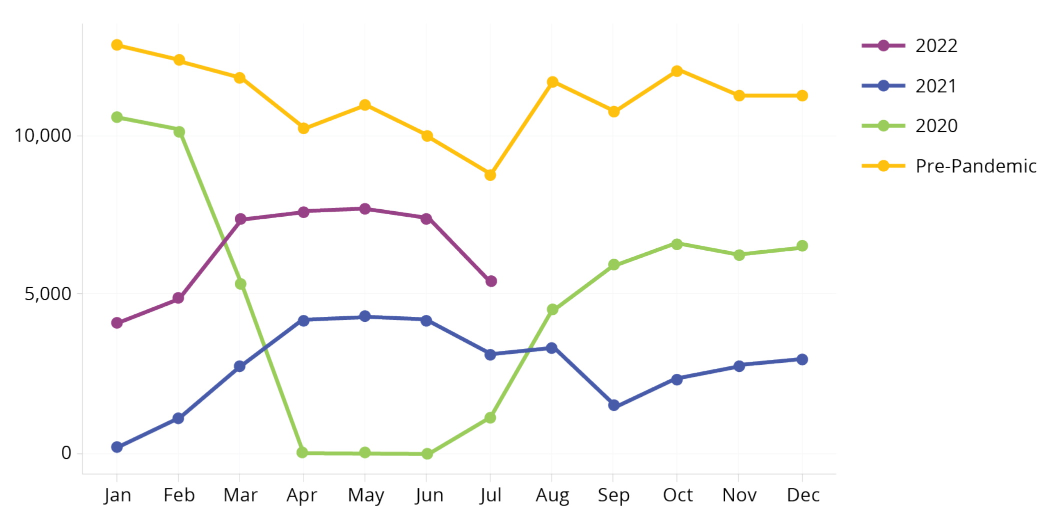
Another, complementary data source for understanding the challenges of housing stability in the district is the reporting from the federally-funded emergency rental assistance programs authorized in response to the pandemic.[26] Together with national and state eviction and foreclosure moratoria, these funds kept people housed who would otherwise be in much more precarious circumstances. *Figure 12* below shows cumulative figures for the number of households assisted by the Emergency Rental Assistance 1 and 2 programs. These numbers do not include households that received help from state or philanthropic rent-relief programs.

Figure 12: Households assisted using Emergency Rental Assistance funds by state and territory (cumulative)



Focusing on New York City provides one last look at how housing stability is not meaningfully better at present than prior to the pandemic. New York University's Furman Center tracks eviction filings for private units (as opposed to public housing) for non-payment, exactly the kind of eviction the federal and state moratoria prevented prior to their expirations.[27] *Figure 13* below shows how filings have rebounded significantly. While not fully at their pre-pandemic levels, industry experts caution that many renters are still at risk: Emergency rental assistance payments (in most cases paid to landlords) have forestalled many evictions, as has the new right-to-counsel in housing court in New York City, expanded citywide during the pandemic.[28]

Figure 13: Monthly citywide eviction filings for non-payment cases from private housing



Note: Pre-pandemic figures are averages from 2017-2019.

The implications of a return to high-level evictions are wide-ranging and include tangible impacts on residents' physical and mental health.[29] Future Plans should be able to take advantage of cleaner and clearer data on housing stability, as data collection becomes easier and pandemic-specific relief programs fully expire.

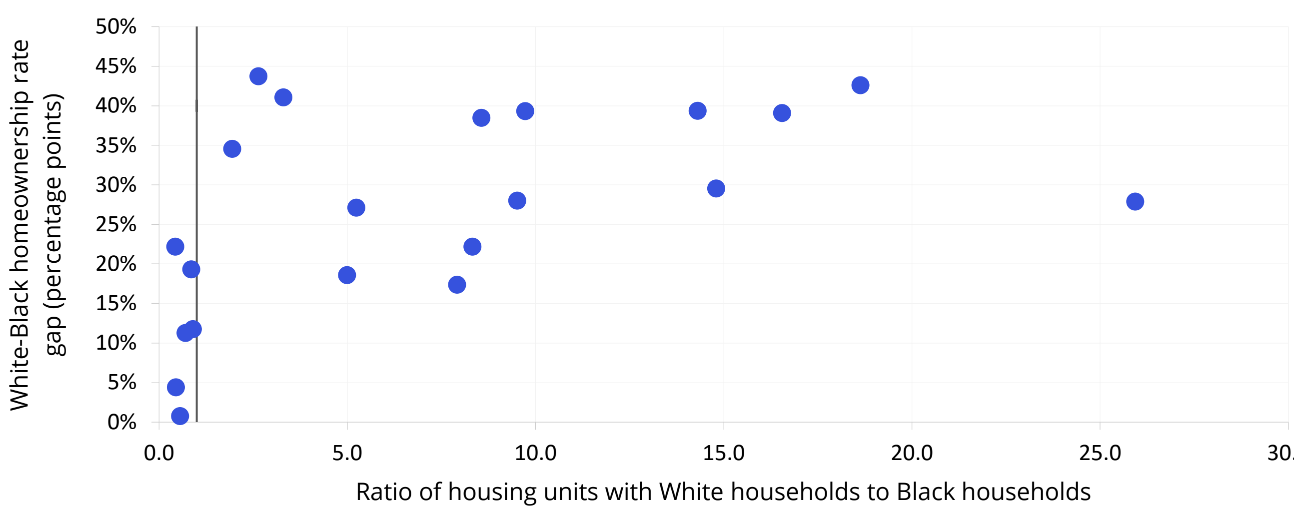
4. Housing that builds wealth

The 2022 Plan made the connection between the homeownership rate — the percentage of units occupied by homeowners as opposed to renters — and economic mobility. If the rate were going up, meaning there were increasing homebuying opportunities for renters, that would be a sign that those households were on a path to building equity for their own needs and potentially for their children's benefit, as well.

That Plan looked specifically at the disparities in homeownership rates between White- and Black-led households, and it showed to what degree the disparity existed in New York and New Jersey counties according to the ACS data available at the time. Now with one more year's survey data added to the ACS estimates, there is little change evident at either the state or county level. The 2020 5-year estimates show that the White homeownership rate is still twice that of the Black homeownership rate in New York (64% and 32%, respectively), and the same percentage-point gap exists in New Jersey (72% and 39%).[30] The only counties with notable changes were those with relatively few Black-led households, meaning the changes could be explained by a combination of small survey samples and just a few home purchases.

With little high-level change in just a year's time, it is more revealing to zoom in on one geographic area: Rochester, located in Monroe County, New York, where about one-fifth of the subsidy from the FHLBNY's Homeownership Set-aside Programs has gone in recent years. *Figure 14* below shows the racial disparity in the homeownership rate plotted against the ratio of Black-to-White households in Rochester ZIP codes. (Just one outlier is not shown: the Ellison Park-Panorama area, which ACS estimates has over 4,200 White households and just 18 Black households.) Where the dots are low on the y-axis (close to 0%), that means the White homeownership rate exceeds the Black homeownership rate by a small margin. And where the dots are to the right on the x-axis, more units in a particular area have White households as opposed to Black households.

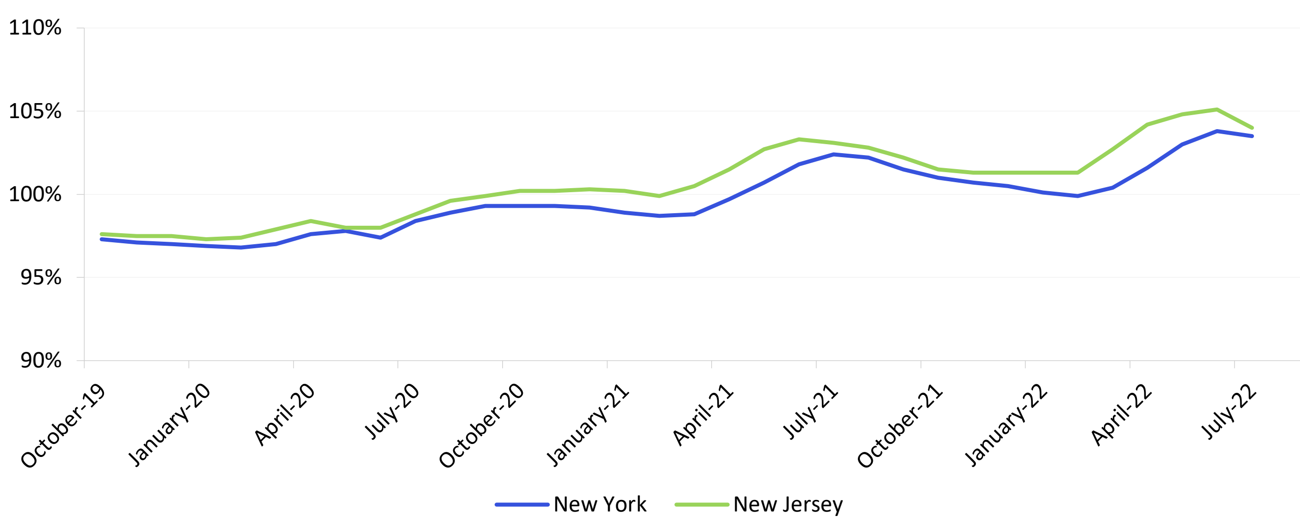
Figure 14: Racial homeownership rate gap in Rochester, NY ZIP codes



Note the dots closest to the vertical line at the ratio of 1 on the x-axis. These are the areas of Rochester with roughly equal number of White and Black households. ZIP code 14621, for example, is roughly bounded by Rte. 104 to the north, Clifford Ave. to the south, the Genesee River to the west, and N. Goodman St. to the east. In that area, which has about 5,000 White households and 5,000 Black households, the ACS estimates that 39% of White households' units are owner-occupied, compared with 28% for Black households. In ZIP code 14613, directly across the river to the west, with over 2,000 White and Black households each, the estimates are 50% and 31%, respectively. These are small geographic areas, with just a handful of neighborhoods, and yet the ability of White and Black households to use housing to build wealth is significantly different.

The dynamics in the real estate market during the pandemic and leading into 2023 show why the disparities described above are likely to persist. In short, increased home prices, depressed for-sale inventory, and increased interest rates all add pressures to low- and moderate-income homebuyers, especially so to households of color, who at baseline have lower levels of household wealth to use for a down payment.[31] *Figure 15* below shows the percentage of listing price received by home sellers in New York and New Jersey by month.[32] In those states, buyers continue to pay above-asking, increasing their borrowing or depleting their savings to secure a home. Even if there is some softening in the market in some areas in those states, low- and moderate-income homebuyers will likely continue to face a heavily competitive market in 2023.

Figure 15: Percentage of listing price received on home sales in New York and New Jersey



Note: New York figures include single-family properties, townhomes, and condominiums. New Jersey figures are for single-family properties only.

Comparable statistics for Puerto Rico are not available because not all real estate brokers in the territory are Realtors and use the multiple listing service (MLS).[33] Rather, housing market activity is captured by data compiled from mortgage issuers.[34] *Figure 16* as follows shows that like in New York and New Jersey, the market in Puerto Rico seems discouraging to new entrants, with consistent volume and higher prices. The NLIHC estimates, cited previously, indicate a household with two full-time jobs at the average renters' income in Puerto Rico could afford to pay $884 per month on housing. For comparison, the average loan amount for existing sales from March 2022 was $188,255, which translates into a monthly payment of

$1,128.69, assuming an interest rate of 6% on a 30-year loan (and not including mortgage insurance). Coupled with most renters' lack of sufficient savings for a down payment, these numbers illustrate the difficulty of making the leap to homeownership.

Figure 16: Mortgages issued for home purchase in Puerto Rico from March 2017-March 2022

Reports from the U.S. Virgin Islands indicate similar market dynamics there, though the data challenges are even greater. FHLBNY staff relies on the good will of local real estate brokers to provide statistics from the local MLS and to evaluate present needs. The 2022 Plan mentioned how few homes in the territory were sold for less than $300,000, and available statistics show that held true for the market in 2022, as well. Within the territory, there is a further dimension of geographic exclusion, hinting at the issues explored in the section below: In January through August of 2022, 65 homes were sold on St. John, all but three of them for $500,000 or more.[35]

5. Neighborhood context

Neighborhood context looks at how the location of housing provides opportunities, or minimizes barriers, for individuals and families. In 2022 a widely reported academic study, drawing on Facebook data, showed how the connections between lower- and higher-income individuals were strongly predictive of income and other outcomes important for mobility.[36] These findings further strengthened the evidence base for significant FHLBNY policy choices in recent years.

Beginning with the 2021 AHP General Fund round, the FHLBNY introduced a scoring category called High Opportunity Areas, defined as census tracts with a median family income equal to or exceeding 120% of the median family income of the state or territory. Given the constraints described in the 2022 Plan, this metric was deemed the best available proxy of neighborhood context. This section utilizes the FHLBNY definition to evaluate the geographic concentration of affordable housing financing in the district with regard to locations that are conducive to economic mobility.

Table 4 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.[37] 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 4: Number of project awards in High Opportunity Areas (120%+ of state median income) in 2021

	In a High Opportunity Area	Not in a High Opportunity Area	Percent
New York State Homes and Community Renewal - 9% LIHTC (Summer 2021 & Winter 2022 rounds)	8	29	22%
New York City Department of Housing Preservation and Development - 9% LIHTC	1	9	10%
New Jersey Housing and Mortgage Finance Agency - 9% LIHTC (all cycles)	11	9	55%
FHLBNY Affordable Housing Program – NY & NJ only	12	31	28%
In New York State	2	23	8%
In New Jersey	10	8	56%

Note: Calculations for all project sites using ACS 2020 5-year estimates. Actual project scoring for 2021 AHP round used 2019 5-year estimates, so above statistics may not align with figures reported elsewhere.

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, though New York State Homes and Community Renewal also has a mandate to distribute awards across various regions. As was the case in the 2022 Plan, these figures show that New Jersey is more successful at locating affordable housing in higher income areas than is New York. Whereas a large share of funding goes to wealthier, suburban areas in New Jersey, an outsized share of funding goes to lower population, lower income areas in Upstate and Western New York. Among other factors, this is likely the result of New Jersey municipalities' legally mandated fair-housing goals and strategies imposed by court order or settlement.

While most of the LIHTC and AHP funding goes toward rental projects, the home purchase market can also be measured in terms of opportunity. *Table 5* as follows shows the mortgages purchased by Fannie Mae and Freddie Mac in 2019 and 2020 with borrowers roughly similar to those eligible for the HDP, and it applies the FHLBNY definition of High Opportunity Area.[38] These figures suggest that low- and moderate-income households were unlikely to be successful purchasing a home in a high opportunity area in either New York or New Jersey, though the odds were somewhat better in New York. So where top-down requirements are possible (e.g., rental housing), New Jersey municipalities are incorporating more affordable units, but where market forces are unchecked (on the homeownership front), the challenges are greater.

Table 5: GSE mortgage acquisitions of single-family homes purchased by first-time homebuyers at or below 80% of the area median income in 2019 and 2020 combined

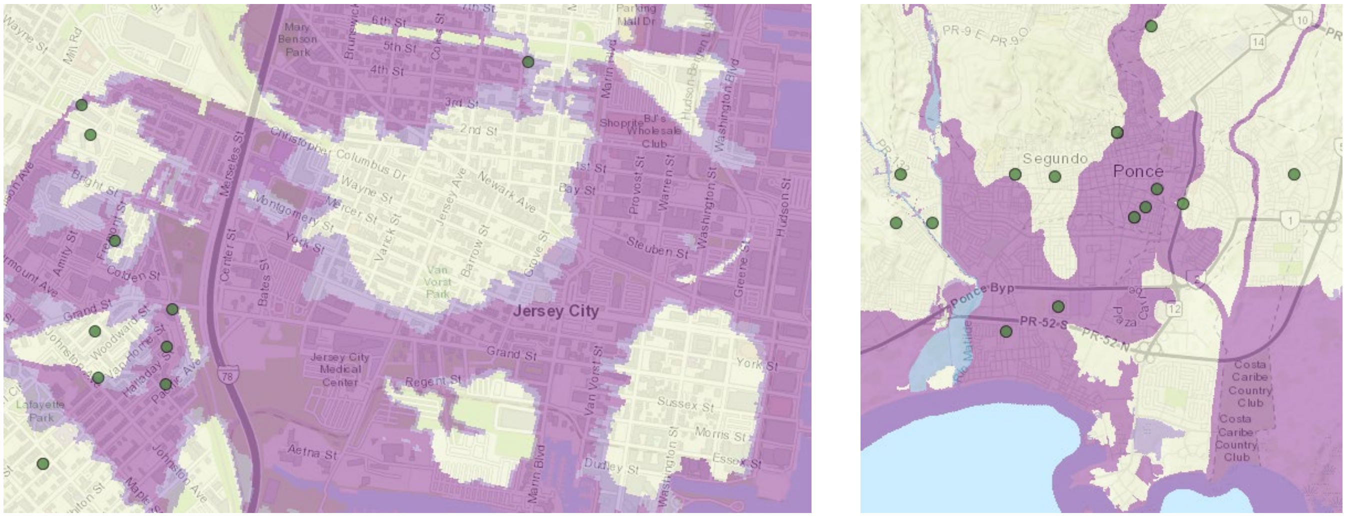
	New York	New Jersey	Puerto Rico	U.S.V.I.
Mortgages in a High Opportunity Area	5,425	3,178	42	7
Mortgages not in a High Opportunity Area	18,183	16,234	65	-
Percentage in a High Opportunity Area	23%	16%	39%	100%

The 2022 Plan examined neighborhood context in another way — the obstacles to economic mobility caused by climate risks like flood, fire, and extreme cold. Dealing with these risks imposes costs on residents in the form of insurance and utility bills, as well as on property managers through insurance and maintenance expenses (costs passed along to residents). That Plan referenced statistics on subsidized housing units susceptible to climate risks by state and county. Given the analysis in the housing quality section above, it is unlikely there has been substantial change in the affordable housing stock's climate risk exposure.

It may be more instructive to examine the challenges faced by individual property managers, in this case public housing authorities. These authorities typically manage several aging properties each, with some transitioned to private management through HUD's Rental Assistance Demonstration program. Most of the public housing properties were developed decades ago, when climate risks were less well-known or were outweighed by other factors in location decisions. *Figure 17* as follows shows two geographic areas of the district for illustration: Jersey City, New Jersey and Ponce, Puerto Rico. In both maps, the public housing developments are plotted against flood hazard areas from the Federal Emergency Management Agency.[39]

Figure 17: Public housing developments and FEMA flood hazard areas

Jersey City, New Jersey | Ponce, Puerto Rico



Note: In both maps, the darker shade of pink (purple over water) denotes 1% annual chance flood hazard, and the lighter shade denotes 0.2% annual chance flood hazard.

As the maps show, public housing authorities in these and other areas in the district face unenviable challenges when it comes to maintaining or rehabilitating their developments, or even deciding to relocate units to other sites if funding is available.

In general, efforts to increase the availability of affordable housing in higher income areas are likely to be mutually supportive of the need to mitigate climate risks for residents and property managers.

C. Affordable housing and community economic development needs of Native Americans and tribal communities

The FHLBNY district has eight federally recognized Native American tribes, all located in New York State. While small in population relative to the tribal communities in other FHLBank districts, the tribes in this district are diverse in their needs and in their capacity with which to respond to those needs.

Five of the eight tribes participate in the federal government's Indian Housing Block Grant (IHBG) Program, administered by HUD. This program allocates funding on an annual basis to tribes or tribally designated housing entities according to a formula that incorporates Census data on household income, housing quality, and housing cost burden, shown in *Table 6* below.[40]

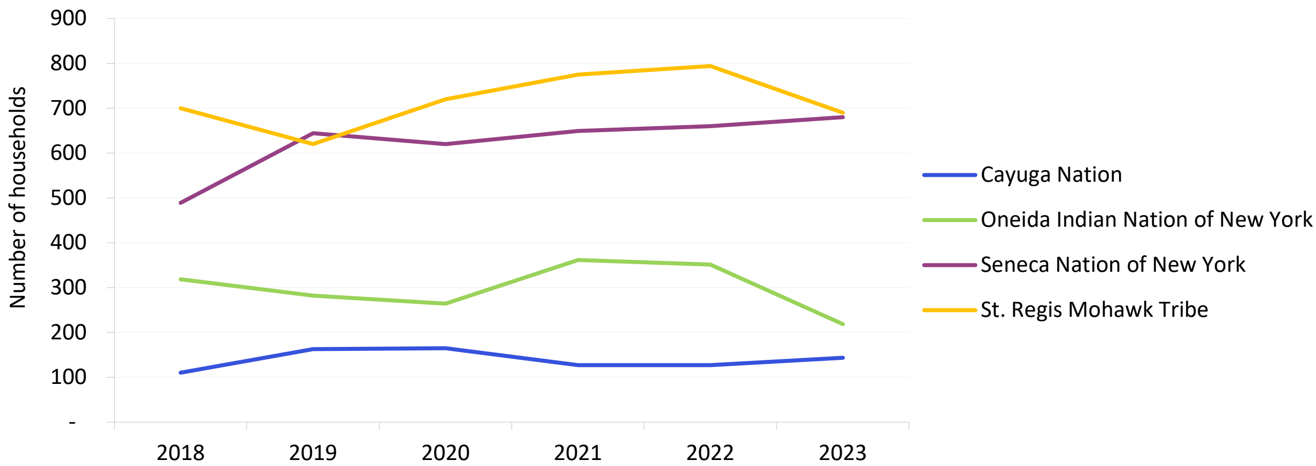
Table 6: Estimates of American Indian (AI)/Alaska Native (AN) population for 2023 IHBG allocations

	AI/AN Persons	AI/AN Households with <30% Median Family Income	Between 30% and 50% of MFI	Between 50% and 80% of MFI	Households with >1 person per room or without kitchen or plumbing	Households with housing expenses >50% of income
Cayuga Nation	950	93	51	47	2	75
Oneida Indian Nation of New York	1,896	148	71	117	25	126
Seneca Nation of New York	4,038	400	280	325	55	180
Shinnecock Indian Nation*	573	-	-	-	-	-
St. Regis Mohawk Tribe	6,034	445	245	295	79	230
Onondaga Nation**	-	-	-	-	-	-
Tonawanda Band of Seneca**	-	-	-	-	-	-
Tuscarora Nation**	-	-	-	-	-	-

**Numerous data fields missing in 2021, 2022 and 2023 IHBG estimates.*
***Tribe does not participate in the IHBG program, meaning there is not a publicly available estimate for these indicators that is produced by HUD and agreed upon (with or without a challenge) with the tribe.*

According to the available data, economic conditions for the households on tribal reservations have varied in recent years, with an average annual increase in low-income households of 8% among the Cayuga Nation and 7% for the Seneca Nation; volatile but little net change for the St. Regis Mohawk; and a slight improvement in conditions for the Oneida Indian Nation. *Figure 18* as follows is based on IHBG estimates for the 2018-2023 allocations.

Figure 18: Number of households at or below 50% of area median income



Note that depending on a given tribe's location, its IHBG estimates may be based on the surrounding county's median family income or on a national figure, whichever is higher (to the benefit of tribes surrounded by low-income counties.[41]

As part of the IHBG program, tribal housing departments or tribally designated housing entities (a legally separate body from the tribal government; the Akwesasne Housing Authority, representing the St. Regis Mohawk Tribe, is the only one in the district) submit a forward-looking Indian Housing Plan and a backward-looking Annual Performance Report to HUD. The plan provides the tribes an opportunity to briefly describe their housing needs, but more informatively, to describe their planned use of IHBG funds and justify the dollar amount corresponding to individual programs they offer, giving a rough sense of each need's relative priority.

In its most recent plan, submitted in April 202242, the Akwesasne Housing Authority emphasizes new construction, including the expansion of the Sunrise Acres development for which it received an AHP General Fund award in 2017. The authority has plans for another multi-phase development, utilizing funds from a 2022 IHBG Competitive Award43 (the authority submitted an application to the 2022 AHP round for this project, as well). The remainder of the programs and funds comprise ongoing resident services, including to those with special needs, and operational expenses for property maintenance and administration.

The Shinnecock Indian Tribe's plan, submitted in July 2022[44], on the other hand, prioritizes preservation, with the goal of rehabilitating four homes, improving disability accessibility for two homes, and improving the energy efficiency of three homes. However, over 80% of the planned program funds would be allocated to organizational capacity building and referral services for residents in need of support beyond the housing department's capabilities. The plan does not seem to reference a new-construction project for which the department received technical assistance from the AHP staff prior to the 2022 program round.

As for non-housing community economic development needs, there is no publicly available resource comparable to the Indian Housing Plans. There is just one Native Community Development Finance

Institution in the district[45], the Seneca Nation of Indians Economic Development Company, and it makes small business, commercial and agricultural loans.

The FHLBNY actively encourages applications to its AHP General Fund from tribal communities, and in recent years staff have provided technical assistance to three tribes in the district in person on the reservations, on conference calls, and at conferences for tribal housing leaders. When they apply to the program, tribes may utilize the more favorable income comparison, just as with the IHBG, for the purposes of the targeting scoring category.

The FHLBNY's Homeownership Set-aside Program, the Homebuyer Dream Program, supports low- and moderate-income homebuyers with a grant for down-payment or closing-cost assistance. Prior to the 2022 program round, the HDP (and its predecessor program, the First Home Club[SM]) required that the FHLBNY member submitting a household to the program also be that household's lender. Residents of the FHLBNY district who lived on tribal land lacked access to the program because no members actively conducted mortgage lending in those areas.

Beginning with the 2022 program round, however, participating FHLBNY members may now submit reservation requests on behalf of households borrowing from the federal government through the U.S. Department of Agriculture-Rural Development's (USDA-RD) Section 502 Direct Single Family Housing Loan Program. Eligible borrowers must be very-low- or low-income and "be unable to obtain a loan from other resources on reasonable rates and terms." The program is available in areas designated as rural, which includes most of the tribal territory in New York State, though a formal agreement between the USDA and a tribe must be in place (just one is active at present, with the St. Regis Mohawk).

In 2021 and 2022, FHLBNY staff undertook outreach to members in geographic proximity to tribal reservations and those with a high annual allotment of program funds to educate them about this opportunity to support tribal households. To date, we haven't received a request from FHLBNY members to discuss further.

2. Market Opportunities

Readers of previous years' Plans from the FHLBNY would not be surprised to see similar credit and affordable housing needs as highlighted in this year's Plan, albeit with new evidence. That housing is not an engine of economic mobility for enough residents of the district, and each year's Plan, in telling a similar story, provides more clarity on the individual challenges and the connections between them. In the years preceding the current regulation governing the Affordable Housing Program, and then with the added flexibility granted in the new rule[46], the FHLBNY intentionally structured its programs to respond to the district's needs.

Table 7 as follows summarizes many aspects of FHLBNY products and programs to demonstrate the alignment between needs and policy decisions. Previous versions of the Plan, available from links in the appendix, provide additional documentation and the policy rationale for a fuller list of program attributes than could be captured in the table. The 2021 Plan described all of the AHP General Fund's scoring categories, which are largely consistent with those for the 2023 program round, because many were developed or refined to coincide with the start-date of the new regulation governing the program.

Table 7: FHLBNY district needs and policies

Identified needs	FHLBNY programmatic responses
Credit needs	
	The Community Lending Programs (including the 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 required activity-based capital stock on discounted rate advance borrowing, as with normally-priced advances, meaning these programs may be attractive in many economic 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 General Fund 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. The program's Green Building Innovation category, which rewards deep capital investments in the quality of units, is intended to raise awareness of and lower the costs of such efforts across the industry. In addition, recent FHLBNY outreach efforts have focused on understanding developers' and public housing authorities' projects that replace, as opposed to rehabilitate, aging housing units that may be in locations with high climate risks.

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 another scoring category further rewards 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 are highly determinative of which applications receive awards. FHLBNY staff continues to engage with district membership organizations concerned with supportive housing and make presentations at various meetings and conferences. And in 2022 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.

The FHLBNY does not view the above attributes as static responses to the district's challenges. Rather, policy development is a continuous process of research, refinement and improvement, in close collaboration with FHLBNY members, the AHAC, and other partners.

In 2022, the FHLBNY encouraged an even greater degree of collaboration by enlisting members of the AHAC in a series of working groups. These groups, each of which convened multiple times between the full AHAC's quarterly meetings, focused on not only identifying the needs of the district but also on how to implement meaningful responses to those needs. The working group discussions, as well as individual consultations between staff and working group members and their contacts in the industry, were much more operationally oriented than quarterly meetings typically allow. Participating AHAC members were able to share different elements of their expertise, and they more fully understood the opportunities and constraints of the FHLBNY's products and programs.

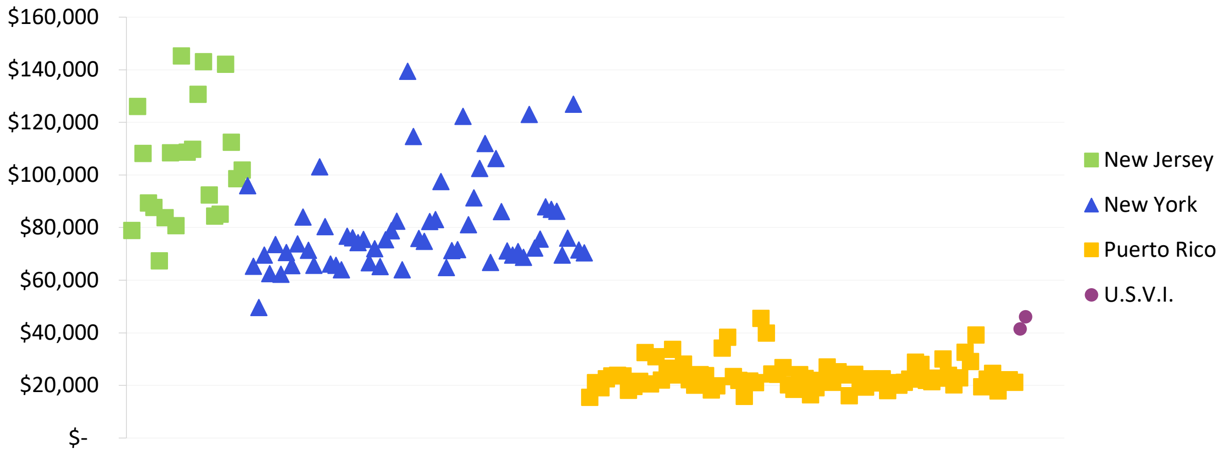
One of the working groups examined the processes of managing the annual AHP General Fund round and the touch-points between FHLBNY staff and AHP project sponsors, with the goal of identifying opportunities to streamline any inefficiencies, while remaining in full compliance with the program's regulatory requirements for due diligence. AHP sponsors should expect to see the outcomes of this group's work in future rounds.

Another working group looked specifically at the challenges faced by developers in Puerto Rico and the U.S. Virgin Islands. Relative to applications for stateside projects, projects from the territories submit few AHP applications; none, in fact, were submitted in the 2022 General Fund round. The working group identified and refined opportunities for changes to the competitive scoring framework that would encourage more applications and increase those applications' competitiveness. Those changes include two connected directly to needs highlighted in this Plan: expanding the Community Stability scoring category to reward projects that replace, as well as rehabilitate, aging and substandard buildings, an important tool used by public housing authorities including those in the territories; and expanding the Green Building Innovation category to recognize projects designed to the new Caribbean standards of the Energy Star Program, because the category's existing programs, Passive House and Achieving Net Zero, have yet to be tailored for that region.

Additionally, a sub-category recognizing projects in the territories will be added to the existing Underserved Communities and Populations category, as allowed under FHFA guidance. The FHLBNY made the determination that any project located in Puerto Rico and the U.S.V.I. should be considered "underserved" for three key reasons:

1. There are generally few, if any, AHP applications from the territories in any given year's round. Conversations with both local developers and stateside developers in 2022 revealed a high level of awareness of the existing scoring criteria, and these developers said they strategically chose not to submit applications because they did not expect to score well enough to receive an award.
2. Two of the other existing populations covered in the category, homeless households and supportive housing for special needs households, are recognized by the state housing finance agencies and other governmental agencies in New York and New Jersey, and projects serving those populations can receive dedicated operational subsidy for rent and services. The third existing population, for extremely-low-income renters, often overlaps with the other two categories and similarly benefits from state subsidies. However, no such subsidy program exists in the territories. That means that in the existing scoring framework, projects located in the territories have a much more difficult time serving these populations and are essentially precluded from receiving any points in the umbrella category.
3. The territories are simply much lower-income areas than the rest of the district. They face extremely high building costs, made more so by their geographic isolation, shipping challenges, and legacy political hurdles. And yet their residents have incomes that can support much lower rents than their stateside counterparts. *Figure 19* as follows shows the median family income by county (municipality in Puerto Rico; island in the U.S.V.I.), drawn from the ACS 2020 5-year estimates (and the 2015 V.I. Community Survey). Even the highest income areas in the territories are substantially poorer than the poorest areas of New York and New Jersey in absolute dollar terms.

Figure 19: Median family income by county (alphabetically by state/territory)



The third working group focused on the process by which the FHLBNY translates high-priority credit and affordable housing needs into program and product changes, exactly the topic for this section of the Plan. The framework developed by this group, shown in *Table 8* as follows, logs emerging needs identified by AHAC members and other partners, assesses the evidence base for those needs, and provides a kind of status report for the FHLBNY's progress in addressing the needs. Note that the table refers in many cases to ideas not yet implemented in the form of policies approved by the FHLBNY's Board of Directors. The intent of including the framework here is to illustrate the types of contributions increasingly provided by AHAC members. Their advocacy and technical knowledge have in the past helped advance ideas into practice. The framework as follows shows how that work can continue and grow.

Table 8: Policy development framework for district needs

Mechanism	Problem statement	Measurement quality (High/ Medium/ Low)	Nexus to existing programs	Availability of other tools	Accelerants & obstacles	Dependencies & status
Credit needs						
FHLBNY members						
	Members need low-cost liquidity to sustain and grow their community development lending.	Medium: Demand for discounted advances provides one measure, but limited visibility on members' overall lending (and borrowing).	High: Advances are generally available, but relevance varies by member and market conditions.	Low: Currently a one-size-fits-all approach, but innovations are possible (as evident by Business Development Advance).	Staff is at the early stages of understanding how funding availability can (and could) drive member lending behavior.	Member decision-making will be a focus of staff outreach conversations in 2023.
Members' customers						
	Small businesses (especially minority- and women-owned) lack affordable capital to grow.	Low: Members' BDA-qualifying loans may be insightful, but only with more volume. Primarily relying on public research and anecdotal reports.	High: Members' spread on their BDA loans is capped, which should translate to lower rates for borrowers, but it is not yet known if the program increases members' lending appetite.	Medium: FHLBNY charitable giving can lower the overall borrowing costs of targeted, revolving loan funds (as evident by 2022 contribution to LISC Newark), though reach is limited.	Member enthusiasm for 2022 BDA program launch demonstrates interest in better serving small business customers.	In addition to outreach to BDA-participating members, staff will further explore opportunities to leverage charitable giving.

Mechanism	Problem statement	Measurement quality (High/ Medium/ Low)	Nexus to existing programs	Availability of other tools	Accelerants & obstacles	Dependencies & status
Affordable housing needs						
Housing quality						
	Housing deficiencies make it hard for seniors to age in place.	Low: Non-profits focused on owner-occupied units tell consistent stories, but it is difficult to get more relevant statistics than those on properties' ages.	High: The AHP General Fund is well situated to support rehabilitation projects focused on accessibility, but the program's lack of an explicit focus on seniors and its operational burdens may dissuade potential partners.	Low: Staff awareness of key issues and partners is low relative to other dimensions of the broader supportive housing issue.	Seniors' issues are relevant to many active AHAC initiatives, but there is not the consistent, targeted advocacy effort seen for other issues.	Ongoing efforts to streamline the AHP General Fund processes should be meaningful to relevant non-profits, and further research is needed on owner-occupied projects' fit in the General Fund.
	Ownership turnover (e.g., to private equity) of manufactured housing further risks existing housing stock.	Low: Because they are private transactions, there is not the kind of information that exists for sales of LIHTC properties or of mortgages held by the Government Sponsored Enterprises.	Low: Projects involving manufactured housing are eligible for the AHP, though practical realities (the confluence of rental and owner-occupied concepts) would make it challenging, even if there were active non-profits working on acquisition and management beyond the scale of a single mobile home park.	Low: Interest in this issue is high among funding partners (including in state government), but a clear role for the FHLBNY is not yet defined.	Numerous intersections with other key housing needs, such as preserving housing quality (for health and safety) and rural housing generally.	Outreach on this issue will continue in 2023, with the goal of identifying a mechanism (e.g., convening stakeholders, strategic charitable contribution) for FHLBNY support.

Mechanism	Problem statement	Measurement quality (High/ Medium/ Low)	Nexus to existing programs	Availability of other tools	Accelerants & obstacles	Dependencies & status
Housing affordability						
	Inflation and supply-chain constraints add costs and delays to the development process.	Medium: Strong and insistent reports from AHP sponsors and funding partners, though the quantitative evidence will likely build as recent projects submit updated budgets when they draw down funds.	High: The challenges are highly salient for the AHP analysts, though meaningful solutions are not as clear, with relatively inflexible progress milestones and limited funds available to increase subsidies.	Low: The FHLBNY has in the past offered a Rental Project Recovery Grant program to support natural disaster-impacted AHP projects, but no comparable discretionary program exists for cost overruns.	AHAC members and other developers agree that these pressures are likely to persist for some time, so demands for greater flexibility or other support will likely increase.	Outreach to recent AHP award recipients in 2023 can attempt to quantify these challenges and identify opportunities for flexibility.
	Energy costs and other climate risks contribute to affordability crisis.	Low: National studies and surveys look at utilities' costs in the context of affordable housing, but staff is not aware of research focused on the issue in the district.	Medium: Programs chosen for the AHP General Fund's green building scoring category focus on the building envelope and energy usage, two things that should reduce residents' costs. As the AHP funds more of these projects, there will be more opportunities to measure impact.	Medium: The formal structures around green building are less evident in Puerto Rico and the U.S.V.I., in part because of the climate. Specific green building standards are in the early stages in the territories, and so is the wider industry (raters/verifiers and labor force).	Hurricane Fiona reinforced the need for climate resilient infrastructure and planning, and several FHLBNY partners and contacts are involved in building up the necessary ecosystem.	Staff will continue to work with partners like the University of the Virgin Islands to see how the FHLBNY can play a role in supporting growth in this area.

Mechanism	Problem statement	Measurement quality (High/ Medium/ Low)	Nexus to existing programs	Availability of other tools	Accelerants & obstacles	Dependencies & status
Housing stability						
	Production of supportive housing is heavily dependent on operational subsidy, which is not evenly distributed.	Medium: Partners describe multiple issues, from lack of data on scattered site supportive housing to delayed payments to service providers, but no available evidence base yet points to an obvious entry point for FHLBNY action.	Medium: Early experience with the AHP General Fund's scoring category for supportive housing showed how state agencies' priorities and programs drove project decisions. The lack of comparable funding in Puerto Rico and the U.S.V.I. compounds the AHP's challenges there.	Low: The Corporation for Supportive Housing (a FHLBNY member) is working with the U.S.V.I. government, across multiple departments, to build the web of policies necessary to sustain a supportive housing model. This is expected to be a long-term transformation process.	Policy and outreach around supportive housing issues peaked prior to the 2021 AHP round, and those projects are now highly competitive. Staff and the AHAC are just starting to explore what other mechanisms for impact may exist.	The sizable charitable contributions for preventing homelessness in 2021 and 2022 showed the FHLBNY's commitment to addressing housing stability. An AHAC working group in 2023 may provide more strategic guidance on sustainable policy approaches.
Housing that builds wealth						
	Minority households are at a particular disadvantage in the current homebuying market.	Medium: There is an abundance of data on the racial homeownership and wealth gaps and on the disparities evident throughout the homebuying process, but no programmatic data on the impact of the FHLBNY (through its members) in this area.	High: The Homebuyer Dream Program requires participating members to abide by their fair lending obligations, but it is not known to what extent they use the subsidy to intentionally redress specific barriers. This knowledge gap hinders policymaking.	Low: In 2022 staff explored multiple partnerships to go beyond the HDP's impact by funding targeted programs, but these conversations have yet to result in actionable proposals or plans.	The AHAC's strong advocacy and the increasing regulatory and industry focus on Special Purpose Credit Programs are important drivers of policy. Measuring and analyzing current impact is seen as a necessary condition for determining the best policy tool.	In 2023 staff, including relevant internal departments, will work with HDP member participants to identify a feasible, meaningful mechanism for collecting demographic information on household grant recipients.

Mechanism	Problem statement	Measurement quality (High/ Medium/ Low)	Nexus to existing programs	Availability of other tools	Accelerants & obstacles	Dependencies & status
Neighborhood context						
	Higher-income areas provide few homebuying opportunities for low- and moderate-income households.	High: Data cited in the Targeted Community Lending Plan, as well as programmatic data from HDP, shows long-term challenges in key areas of the district.	High: At the current HDP subsidy level, or any level within program bounds, it is not clear what grant funding can accomplish in highly competitive markets. The challenge spills over to the AHP General Fund, where owner-occupied projects in these areas are less competitive because they struggle to serve low-income households.	Low: FHLBNY members express similar frustration that these challenging market dynamics are likely to persist and feel beyond their ability to influence. The policy focus may instead turn to ensuring the success of a small number of high-impact efforts.	The greatest energy from the AHAC and other advocates is at the intersection of this issue and racial disparities in wealth-building opportunities. More policy- and financing-focused deliberations are key here.	Two years into the HDP's approach of allotting program funds to members, staff's 2023 learning agenda will include listening to stakeholders in suburban New York and New Jersey, especially about the utility of further program improvements.

Readers interested in particular lines of inquiry summarized in the above table are encouraged to reach out to members of the AHAC or to FHLBNY staff directly to share their experience and insights. Again, the above framework, which focuses on current priorities, should be understood as a usable mechanism for translating insights into action, not a historical record of evidence-based decisions.

The next section covers the FHLBNY's quantitative community lending goals for 2023, which will help contribute to several of the items in the above AHAC table.

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 in *Table 9* below align with the staff's internal performance metrics and 2023 work plans, but they are flexible enough to accommodate unexpected developments.

Table 9: Quantitative goals for 2023

1. Discounted rate advances in core programs (CIP, UDA, RDA)	The interest rate environment changed substantially during 2022, with members increasingly turning to discounted rate advances. This heightened demand is expected to remain into 2023.	FHLBNY members borrow $1.5 billion in total across the CIP, UDA and RDA.
2. Outreach activities with members.	Conversations with staff from multiple departments of member institutions (e.g., treasury, loan originations, the Community Reinvestment Act Officer) help educate members on business opportunities and provide continuous insights on market dynamics for FHLBNY policies.	Conduct targeted outreach including education, training or research activities in support of the Bank's Community Investment programs.
3. Outreach with other district partners on key issues.	The district needs described in this plan and the priorities championed by the AHAC point to several pressing agenda items for conversations with community non-profits and other organizations. These conversations have a proven record of influencing innovation and change in products and programs. Given the scoring changes for the AHP General Fund, there will be a particular focus on developers and other partners in Puerto Rico and the U.S.V.I.	Conduct 50 outreach activities with AHP sponsors, housing counseling agencies, district funding sources, and other stakeholders.

The above goals will inform FHLBNY policies and initiatives over the course of 2023.

Appendix

A. Recent FHLBNY publications

Targeted Community Lending Plan	2022	2021	2020	2019	2018
Affordable Housing Advisory Council Annual Report		2021	2020	2019	2018

B. Recommended resources regarding district needs

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

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Joint Center for Housing Studies of Harvard University. 2022. "America's Rental Housing 2022." Available at https://www.jchs.harvard.edu/americas-rental-housing-2022.

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