

# ABOUT THIS PUBLICATION

## Economic Inclusion and Opportunity

Mortgage lending is an important element of many community banks' business strategies. Community banks offer mortgage products and services designed to meet the particular needs of their communities, including rural areas and low- and moderate-income (LMI) borrowers. Offering affordable mortgage loans to a wide range of customers deepens bank-customer relationships and provides an important pathway for borrowers to own their own homes and build wealth. At the Federal Deposit Insurance Corporation (FDIC), we recognize that mortgage lending is also an important way for insured institutions to promote access and participation in the mainstream banking system. Broad participation in the products and services offered by insured institutions promotes stability and confidence in the financial system, which is the core mission of the FDIC.

Many banks, including community banks, seek opportunities to serve the particular mortgage credit needs of their communities. The *Affordable Mortgage Lending Guide, Part III: Federal Home Loan Banks*<sup>1</sup> (Guide) provides information to help make community bankers aware of a wide range of affordable mortgage products available from the Federal Home Loan Banks (FHLBs).

## Outreach and Communication

To determine how the FDIC could contribute to efforts by banks to offer prudently underwritten, affordable, and responsible mortgage credit for LMI households, FDIC met with community banks individually and in small roundtables. Bankers provided valuable insights into the need for affordable mortgage credit in the communities they serve.

Some bankers described how they have harnessed federal programs, sometimes in combination with other financial mechanisms like Federal Home Loan

Bank products and State Housing Finance Agency programs, to expand their capabilities and serve a broader customer base. Many bankers had relationships with neighborhood housing counseling organizations, which help provide financial education to potential customers.

At the same time, some bankers noted that very small banks do not have specialized staffing or departments to offer complex mortgage products and feel that the risk and cost of origination is not worth taking without more resources or additional risk mitigation. Some bankers said that while they want to be involved in mortgage lending, it is difficult to find the time to research potential products and programs, and that it is challenging to find and retain trained mortgage staff, especially in rural areas.

While the majority of FDIC-supervised banks are members of an FHLB, some are not members and some that are do not take advantage of the products and services provided by the FHLBs to support affordable mortgage lending.

From these meetings, we concluded that community banks might benefit from a practical reference tool to learn about FHLB products so they can make an informed decision about which products are the right fit for their business plans and strategies to improve lending options for their communities. In addition, the experience of other lenders that have found ways to harness these resources can provide practical

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<sup>1</sup> See *Affordable Mortgage Lending Guide, Part I: Federal Agencies and Government Sponsored Enterprises* (Washington, DC: Federal Deposit Insurance Corporation, 2016), <https://fdic.gov/mortgagelending> for a complete list of loan products. Also see *Affordable Mortgage Lending Guide, Part II: State Housing Finance Agencies* (Washington, DC: Federal Deposit Insurance Corporation, 2016), <https://fdic.gov/mortgagelending> for a complete list of programs and products.

examples that may be instructive to institutions considering these opportunities.

## Scope and Coverage

The Guide describes products from the FHLB System. The Guide focuses on liquidity access products, as well as the affordable housing grant programs provided by the FHLBs, which can facilitate mortgage lending by insured depository institutions. It covers programs that are targeted to a wide variety of communities and individuals including rural, Native American, low- and moderate-income, and veterans.

## Suggestions for How to Use This Guide

Community banks can use this Guide to gain an overview of a wide variety of products, compare different products, and to help identify the next steps for participation with the FHLBs. Community banks can use this Guide in conjunction with FDIC's *Affordable Mortgage Lending Guide, Part I: Federal Agencies and Government Sponsored Enterprises* and *Affordable Mortgage Lending Guide, Part II: State Housing Finance Agencies* to identify a set of options that best meet an institution's needs.

Each section provides an overview of the product, its purpose, and identifies potential benefits and challenges for community banks. Information is provided on several products offered by the FHLBs including the variety of Affordable Housing Programs and the Community Investment Program. There is also a discussion about advances, the credit enhanced and non-credit enhanced options provided through the Mortgage Partnership Finance® Program, as well as the Mortgage Purchase Program offered by two of the FHLBs (Indianapolis and Cincinnati). In addition, for each FHLB, we provide a separate summary of the products and services provided at the end of the Guide in "FHLB Summaries" along with contact information and web links.

A quick review of a product's overview will help you identify whether it is suitable for a particular client or population that you are trying to serve, such as low- and moderate-income borrowers or other hard-to-reach populations. The Guide provides the most recent information available. Realizing the need for accurate

## TIPS ON USING THE AFFORDABLE MORTGAGE LENDING GUIDE, PART III: FEDERAL HOME LOAN BANKS

- Review the individual FHLB summary for your FHLB at the back of the publication to determine which products are available.
- Review the "Contents" page for a list of FHLB products and programs.
- Review the general information about product options and criteria.
- Review "Resources" to make sure you have the most up-to-date information on product criteria.
- Select a product that best suits your needs and use the FHLB contact information located in the FHLB Summaries section to get started.

and timely information, the Guide includes a list of web links where you can find updates on each FHLB in "FHLB Summaries."

## Banks discuss working with the FHLBs

This Guide contains discussions by community banks that incorporate FHLB products and programs into their overall mortgage lending strategies. These discussions illustrate how bankers have used these tools to meet their business objectives. FHLBs' Homeownership Set-Aside Programs, Mortgage Partnership Finance® Program, and Mortgage Purchase Programs are discussed.

## Supporting strong Community Reinvestment Act (CRA) performance

Affordable mortgage lending, including to low- and moderate-income borrowers; to low- and moderate-income census tracts; and to serve people in underserved rural communities, on tribal lands, and

in disaster areas can be responsive ways for financial institutions to meet the credit needs of their communities. The products and programs featured in this Guide, whether they result in Home Mortgage Disclosure Act (HMDA) reportable loans or originations reported by another lender, can help lenders reach their business objectives in their communities, as well as contribute to their CRA performance.

## Conclusion

In many parts of the country, community banks play an important role in meeting the demand for mortgage credit. The products and programs outlined in the Guide can provide community bankers with additional pathways to homeownership opportunities for credit-worthy borrowers in their communities, particularly those with affordability challenges. These products may also represent business opportunities for community banks looking for prudent, sustainable financial products to incorporate into their mortgage business line.

While homeownership continues to be a goal for most Americans, many people struggle to gain access to affordable homeownership opportunities that will enable them to build a stable future for their families. Community banks can and do play a valuable role in meeting the demand for affordable mortgage credit, and we hope this Guide provides useful information to assist bankers in considering all the options to serve their communities with prudently underwritten and affordable mortgage products.