Results

Federal Home Loan Bank of Boston

VOLUME V / ISSUE 2 / 2012

Funding Supportive Housing in Boston

In recent decades, Casa Esperanza has received four AHP awards to support its extensive affordable-housing and substance-abuse recovery services in Boston.

PLUS...

Advances Fund Vermont Solar Farms

Member Mascoma Savings Bank tapped the Bank's Community Development advance to fund two renewable energy projects in Vermont.

An Interview with HUD's Regional Administrator

Bank Executive Vice President M. Susan Elliott recently sat down with HUD Regional Administrator Barbara G. Fields to discuss the agency's accomplishments and plans for the coming year.

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The mission of the Federal Home Loan Bank of Boston is to provide highly reliable wholesale funding and liquidity to our member financial institutions in New England. We deliver competitively priced financial products, services, and expertise that support housing finance and community economic growth, including programs targeted to lower-income households.

FHLBBoston

From the President
Edward A. Hjerpe III, President and CEO

No Housing-Led Recovery? No Wonder.

REGARDLESS OF ONE'S POLITICAL views, it is undeniable that the creation, purchase, and sales of housing have direct effects on the health of our economy. This is the very reason the Federal Home Loan Bank System was created by Congress in 1932 — to supply reliable low-cost funding for housing in every business cycle, regardless of the economic or political environment. Housing must be a substantial part of economic recovery, but uncertainty in the mortgage market is inhibiting housing's full potential to be an important stabilizing force in our economy.

More than four years have passed since Fannie Mae and Freddie Mac were put into conservatorship. This was supposed to be an interim move, a "time out" according to then Treasury Secretary Henry Paulson, needed to stabilize the GSEs while their futures were determined. The problem is that we still don't know what the future of the secondary mortgage market will look like.

Further, until the Bureau of Consumer Financial Protection defines what a qualified mortgage, or QM, is, and bank regulators outline what constitutes a qualified residential mortgage, or QRM, mortgage originators will default to elevated underwriting standards, constraining refinancing and new originations. Other unknowns, like the effects of the recently deferred Basel III capital requirements for mortgages, and the future tax-deductibility of mortgage interest, undercut the potential impact housing could have on a lasting economic recovery.

A recent study sponsored by the Federal Home Loan Bank of Boston concludes that the creation or preservation of housing has a catalytic, multiplier effect on the regional economies in which it is built.

As a consequence, this inaction has led to uncertainty and indecision, the enemies of growth.

A recent study sponsored by the Federal Home Loan Bank of Boston concludes that the creation or preservation of housing has a catalytic, multiplier effect on the regional economies in which it is built. There is the immediate creation of jobs, from architects to carpenters and electricians. Building materials are purchased, such as lumber, concrete, and yes, even kitchen sinks. And local businesses benefit as workers on the projects spend their hard-earned money in their communities. Later, the housing created boosts local and state revenues when it comes onto the tax rolls.

According to the U.S. Bureau of Economic Analysis, housing contributes on average 17 percent to the country's gross domestic product. In past recessions, a robust upturn in the housing market helped lead the nation out of recession. Recent reports of increased housing starts and improving home prices indicate that the housing market is beginning to recover, but it is nowhere near prerecession levels. We still have 10.8 million homeowners who are underwater with their mortgages, and 1.8 million families in the process of foreclosure. These factors will continue to be a drag on our economy until they are resolved and critical policies regarding the future of housing are finalized.

Whether we own or rent a home, whether it is market-rate or affordable, housing is a basic element of our lives and our economy. Given the lackluster recovery in the housing market, President Obama and the 113th Congress need to move beyond partisan gridlock and, along with regulators, implement sustainable policies that will eliminate the uncertainty around housing and help revitalize and fuel regional and national economies. ■

A version of the above op-ed appeared in the December 28, 2012 issue of the Boston Business Journal.

Community Development Advance

Provides Key Funding for Vermont Solar Farms

by Robert O'Malley

FOR MUCH OF HIS WORKING life, Naoto Inoue has been exploring strategies to develop renewable energy, experimenting with wind and solar energy projects and building super-insulated homes.

An early opponent of nuclear power, Mr. Inoue realized that opposing one form of energy — which he considered dangerous — without offering an alternative left him open to charges of hypocrisy and made it more difficult for him to effectively argue his case.

For a time, in the late 1970s and early 1980s, the renewable energy industry in the U.S. was moving in the right direction, Mr. Inoue says. The U.S. government was offering a 30 percent tax credit for investments in renewable energy and many grassroots developers were experimenting with the new technologies.

But the federal tax credit was discontinued during the 1980s — a move that Mr. Inoue believes set development of the budding renewable energy industry back by decades. In the years that followed, companies that were developing renewable technologies either didn't survive or were bought out by larger companies such as ARCO and BP.

Despite this lack of government support during the 1980s and into the 1990s — when the need to develop renewable energy to counteract U.S. dependence on imported oil was not a priority — Mr. Inoue continued to explore various strategies to develop alternative technologies from his home in Kennebunkport, Maine.

In 1995, he joined neighbor Peter Talmage as a partner in Talmage Solar Engineering Inc., a firm Mr. Talmage founded 20 years earlier. When Mr. Talmage retired from the firm in 2000, Mr. Inoue became the sole partner in what became Solar Markets. He operated the firm on his own until his son Kale joined as a partner in 2008.

Fast forward to 2009 when about 11 states, including Maine and Vermont, passed Feed-In Tariff (FIT) programs, which offer stable prices under long-term contracts for energy generated from renewable sources.

The Inoues looked at the Maine and Vermont programs and concluded that the Vermont program was more bankable because it guaranteed 30 cents per kilowatt hour for 25 years compared with the Maine program's 10 cents per kilowatt hour. The Vermont program was based on four technologies — hydro, wind, solar, and biomass — and a maximum aggregate project capacity of 50 megawatts of generated power.

When FIT passed in Vermont, the Inoues took the necessary steps to participate in the program as the developer of a solar farm. Kale Inoue identified a piece of vacant land in an industrial park in Sharon, Vermont and eventually obtained a purchase and sale agreement.

Vermont's Sustainably Priced Energy Development Program, or SPEED, which administers the state's FIT program, selected the Inoue's solar farm project to participate in the program.

The SunGen Sharon project includes 9,562, 230-watt solar panels spread over nine acres. The project uses state-of-the-art solar panels that degrade no more than 20 percent over 25 years. "That's a very good warranty," Mr. Inoue notes.

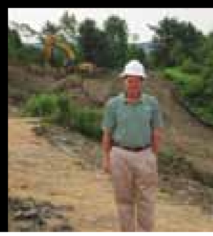
The panels are manufactured by a Taiwan-based company that uses technology largely developed in the U.S. A key piece of the equipment — the inverters — are manufactured by a company in Lawrence, Massachusetts.

Although American companies led the way early on in developing solar panels, many of the panels today are manufactured outside the U.S. Mr. Inoue says that until recently there was virtually no government support to keep the renewable-energy industry viable — unlike the Chinese industry that enjoyed considerable government support. "We have to look at the long-term picture," Mr. Inoue says. "We can't be making decisions in a four-year election cycle."

Although construction of the solar farm was physically demanding because of the need to be at the site during construction, "the biggest difficulty was financing the project," says Mr. Inoue, adding that the project includes long-term financing from member Mascoma Savings Bank, FSB, in Lebanon, New Hampshire, and a construction loan from a Florida finance company.

Mr. Inoue says his son Kale contacted Mascoma Savings Bank to gauge the bank's interest in financing part of the project. Mr. Inoue says the key to attracting financing was the company's track record and reliability. "We are lucky in everything we have been doing since 1995," he says. "There are a lot of solar companies and renewable energy companies that have come and gone.

"I'm willing to put my entire life savings on the line," he adds. "When a banker asks, 'can you personally guarantee this?' I will say 'yes, I will risk everything I have, all the real estate assets owned by me and my wife.' When you show that kind of confidence that you'll be successful, they listen to you better."



Opposite page: The SunGen solar farm in Sharon, Vermont.

Clockwise from left: John Ziegler at the CRL Solar site in White River Junction, Vermont; Naoto Inoue; aerial view of the CRL Solar site.

Financing a solar farm project was a first-time venture for Mascoma Savings Bank. "I became convinced that it worked from an economic standpoint," says John Ziegler, vice president at Mascoma Savings Bank. "It made a lot of sense because they get an attractive rate for the electricity produced."

The project also qualified for a federal 1603 grant that reimbursed the developer for up to 30 percent of hard and soft costs, he adds.

"We look at a lot of different credits for a lot of different companies, and one of the questions we always have to ask when we look at credit is, 'well what happens if they can't sell their product, or what happens to their product if they can't sell it at the price they want or need?'" Mr. Ziegler says. "In this case, we know the state will buy 100 percent of the electricity they produce, and the state is guaranteeing the price of the product for the next 25 years."

Another question to ask is how much electricity will the farms produce? Mr. Ziegler says a fairly accurate estimate of the power that can be produced by a specific type of solar panel in a specific geographic area is available through the U.S. Department of Energy.

"These solar farms are quite new in this state, but estimating the amount of revenue produced by them should be very reliable," says Mr. Ziegler. "However, you do have a slightly declining revenue stream over time, because 25 years out these panels will produce 80 percent of what they produced on day one."

To address this reduction in operating income over time, the borrower needed fixed-rate financing. "That is why we went to the Federal Home Loan Bank of Boston, which is willing to sell us fixed-rate money for five, 10, 20 years," Mr. Ziegler says. "We then passed that fixed rate on to our customer, who doesn't run the risk of a changing interest rate while we as a bank don't have interest-rate risk either."

To provide that fixed-rate funding for the SunGen project, Mascoma Savings Bank accessed a $4.2 million Community Development advance from the Bank.

"Normally, I go to Don Thompson, our CFO, and say I need some money, and he figures out how to fund it," says Mr. Ziegler. "But this was peculiar in that it had to be fixed for 20 years."

In addition to funding the SunGen Solar project in 2012, Mascoma Savings Bank also provided $2.6 million in Community Development advance funding to help finance a solar farm developed by CRL Solar, LLC, on land fronting Interstate 91 in White River Junction, Vermont.

Bob Grant, manager and owner of CRL Solar, says the firm's 2.2 megawatt solar farm is projected to produce three million kilowatt hours of electricity per year. Like the SunGen Solar development, CRL Solar was developed through Vermont's SPEED program. "We have deployed 10,296 panels," Mr. Grant says. "The footprint of the arrays is about 10 1/2 acres."

Mr. Grant says funding from Mascoma Savings Bank as well as a Small Business Administration 504 loan were key elements in making the project financially viable. "I think it wouldn't be an overstatement to say that Mascoma was critical in putting this project together and getting the job done," Mr. Grant says. "Quite frankly, without financing there is no project."

"I tip my hat to them for thinking outside the box and being creative in structuring a program that works for us," Mr. Grant says. "I think they did a great job."

While Mr. Grant plans to do more solar projects in the future, he notes that "the industry is extraordinarily fluid. The incentives crafted to make these projects viable change daily, and so timing becomes critical," he says. "It's difficult to sit here today and say x,y,z is going to be viable a year from now.

"I was initially introduced to renewable energy from the vantage point of deploying solar on landfill caps," adds Mr. Grant, who spent the last 15 years redeveloping brownfield sites. "In pursuing this initiative, we ultimately picked a somewhat secluded piece of ground that was zoned appropriately and has the least impact on the community."

Both the SunGen Sharon and CRL Solar farms were up and running by the latter half of 2012. "We've been doing pretty well," says Mr. Inoue. "I'm very happy with it. We have a few projects of similar size or bigger on the drawing board." ■

2012 Sees **Record Increase** in MPF Participation

THE FEDERAL HOME LOAN BANK of Boston was on track in November to record its largest ever annual increase in members participating in its Mortgage Partnership Finance® (MPF®) program.

"We're having a great year," says Paul Pouliot, first vice president/mortgage manager at the Federal Home Loan Bank of Boston. "We'll probably have 20 new members join MPF this year, which is a lot for us. We usually have 10 or 12 each year."

Mr. Pouliot says members are turning to the Bank's MPF program to ensure stability in addressing their secondary market needs. "Many of the new members have been long-time participants in the secondary market with either Fannie Mae or Freddie Mac but are concerned that at some point in the near future the door to those government-sponsored enterprises will close," says Mr. Pouliot. "They want to have an option, and we are the most viable option in the marketplace today."

Almost 200 Bank members are participating in the MPF program now, which includes Original MPF — a credit-risk-sharing product in which mortgage loans purchased by the Bank remain on the Bank's balance sheet — and MPF Xtra — a product in which loans are passed on to Fannie Mae.

"Having the two types of programs gives the Bank flexibility in meeting the needs of its members," Mr. Pouliot says. "We encourage members to have access to both programs and choose the one that best fits their needs."

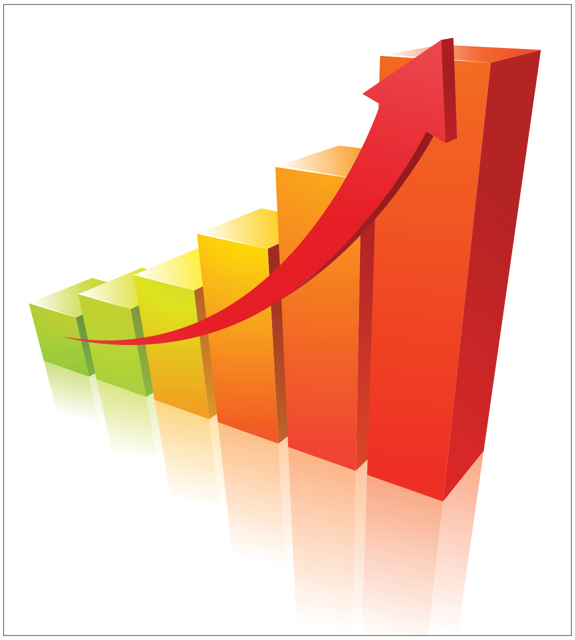
Mr. Pouliot says the MPF program allows members to complete post-closing after funding and avoid the typical master-custodian fees associated with loans sold directly to Fannie Mae and Freddie Mac. With the MPF Xtra Best Efforts program, members are able to register a loan without being subject to possible pair-off costs.

Mr. Pouliot says the Bank is currently exploring additional products to provide members with new programs to offer its customers. "We believe investors are interested in buying loans originated by members of the FHLB System because of the quality of the loans," he says. "Expanding these products to our members provides additional opportunities for profits for the Bank and its members."

"Mortgage Partnership Finance" and "MPF" are registered trademarks of the Federal Home Loan Bank of Chicago.

THE FEDERAL HOME LOAN BANK OF BOSTON WAS ON TRACK IN NOVEMBER TO RECORD ITS LARGEST EVER ANNUAL INCREASE IN MEMBERS PARTICIPATING IN ITS MORTGAGE PARTNERSHIP FINANCE PROGRAM.

Many members recently approved for MPF say participation in the program expands their secondary market options. "We noticed that MPF would give us an option to sell loans into the secondary market other than to just Fannie Mae, which at the time was our only outlet," says Don Frost, vice president/residential lending at member Avidia Bank in Hudson, Massachusetts, which received MPF approval this year.



But cost was also a factor for Avidia. "The yield was higher with MPF Xtra than we typically got from Fannie Mae," says Mr. Frost. "To be honest, we're using MPF more than we're using Fannie Mae now."

Mr. Frost says Avidia also took into account concerns about the future of Fannie Mae as well as the value of strengthening its relationship with the Federal Home Loan Bank of Boston, which is nearby and accessible. "Our rep Bill Dolan has always been very accessible," he says. "Paul Pouliot has also been very helpful and accessible in offering insight into the program and education. There is a lot of value to having a local rep that knows you and your people and can come out if need be to work out issues."

David Brennan, senior vice president at member Cape Cod Five Cents Savings Bank, says his bank decided to participate in the MPF program this year because it was seeking a reliable alternative to larger secondary market players such as Fannie Mae. "Having access to the secondary market is critical to our business plan," he notes. "We thought FHLB Boston was the best alternative."

Mr. Brennan says participating in the MPF program provides his institution with more freedom to manage how it uses the program, allows the bank to retain servicing, and offers compensation through the risk-sharing component of the program. Using MPF also ensures that the bank isn't totally dependent on one wholesaler. "We wanted to be independent," he adds.

Michael Ostrowski, president and CEO of STCU Credit Union in Springfield, Massachusetts, says one of the first decisions he made after being named the credit union's new CEO in 2011 was to apply for membership in the Bank. He says he had worked with the Bank at other institutions and was convinced that membership would provide key resources to help grow his institution.

In 2012, STCU Credit Union received approval to participate in the MPF program. "MPF gives our institution access to good rates, it's easy to maneuver, and gives my members good rates," says Mr. Ostrowski. "I make money on it, FHLB Boston makes money on it, and my members make money on it. It's just a solid well-run program I can count on —a win-win for everyone involved."

Mr. Ostrowski says he plans to use the MPF program and other Bank products to increase the credit union's residential lending. "The Federal Home Loan Bank is local, it's fair in its handling of collateral and other issues, and it exists to serve its members, he says. "Its products and services are better matched to our needs than the alternatives."

Mr. Pouliot says there are several important considerations that make the MPF program valuable to both members and the Bank. "It enhances members' return on capital through participation in more of our product lines," he says.

Participation in MPF also promotes greater interaction between the Bank and members. "Participating members who sell loans to us need to interact with us every day," Mr. Pouliot says. "We are always talking to them and know their concerns. If they decide to keep loans in their portfolio, we are aware of that need and can offer them alternative funding options such as cash advances." ■

More Members Take Down Long-Term Advances

In an effort to make additional funding options available to members, the Federal Home Loan Bank of Boston recently offered a number of long-term advance specials to help members prepare for a rising interest-rate environment.

"With the Fed's position to hold interest rates low until 2015, the urgency to take immediate action to position the balance sheet for higher rates has not been present," notes M. Susan Elliott, executive vice president/chief business officer at the Federal Home Loan Bank of Boston. "Still, members who have experienced loan growth or are liability-sensitive want to begin to layer in protection over the long term."

Ms. Elliott says members have borrowed more than $1.25 billion in long-term advances during the first 10 months of 2012. "The Bank has offered a variety of business solutions to address members' varying needs, but long-term advance specials have been particularly attractive, with five-year Classic advances as low as 99 basis points," she says.

"The Flipper advance has given members the opportunity to take down funds at sub-LIBOR rates with the potential for the rate to 'flip' to an attractive fixed rate after a lock-out period of one to three years," Ms. Elliott adds. "Some members who have taken advantage of the Flipper currently are enjoying a negative advance rate."

Ms. Elliott says interest-rate caps have also proven to be cost-effective and attractive when combined with floating or fixed-rate funding.

Christopher Lake, senior vice president/chief financial officer at member Peoples Federal Savings Bank in Boston, says net loans at his institution were up in 2012. "And while lending in some banks was reported to be a little slower in the Boston area, it has been robust for us," he says, adding that the long-term funding the bank recently took down "will definitely be used to augment our liquidity and to lend out."

Mr. Lake says his institution's decision to take down long-term funding this year was not part of a strategy to go long at the absolute bottom. "We know that the rates have been a bit of a roller-coaster ride and that they go up a little and down a little," he says. "The timing is due more to our funding needs than to the absolute lowest level of price."

He also notes that the bank's goal is to balance long- and short-term funding. "Retail funding is pushing short for either one-year CDs or money market accounts, which is something the entire industry faces," he says. "The reason we go to the Federal Home Loan Bank for long-term funding is to balance out the short-term funding our retail network creates."

Other member institutions are also drawing down long-term Bank funding to help fund robust loan growth. Laurie LaChapelle, vice president of finance at member Digital Federal Credit Union in Marlborough, Massachusetts, says her institution accessed the Bank's long-term specials to pay off earlier Bank advances with higher rates, and to address an increase in loan demand.

Founded to serve employees of Digital Equipment Corporation in the late 1970s, Digital Federal Credit Union is now the largest credit union in New England. In 2012, the credit union accessed the Bank's five- and seven-year bullet specials to help support growth in both its auto and residential loans.

Ms. LaChapelle says she recently undertook additional analysis to determine if another round of long-term borrowing in 2012 would be beneficial to keep up with loan demand. "I think it's likely that we will borrow again," she says.

Donald Thompson, senior vice president/chief financial officer at member Mascoma Savings Bank, FSB, in Lebanon, New Hampshire, says his institution also recently took advantage of the Bank's low long-term rates. "We took a long-term advance to lock in long-term money because we felt that rates had come down low enough and it made sense to lock in a position," he says. "From a risk perspective, locking in long-term funding was preferential at that time."

"Should rates rise down the road, the rates on our short-term funding will ratchet up, which will cost us more in the long run," Mr. Thompson adds.

"Historically, our data shows that members tend to wait until rates are near peak before borrowing long term," notes Ms. Elliott. "Certainly this has much to do with investment alternatives for members' customers and an economy that is showing growth, both of which are not particularly evident today."

Ms. Elliott says preliminary FDIC data shows that members' loan mix appears to be extending into longer maturities. "The potential for a dramatic rise in rates is a risk factor to consider," Ms. Elliott says. "While we wouldn't bet the balance sheet on a rate increase in the near term, we would be looking to layer in some protection." ■

Fixed-Rate Mortgages: Buy Sell Hold?

by Marianne Cacciola, Financial Strategist

THE ONE-TIME GAINS GENERATED by the sale of fixed-rate mortgages into the secondary market in 2012 may be difficult to replace in 2013 and beyond. The challenge of originating new mortgages each month in order to maintain stability in the income stream may prove daunting for loan officers.

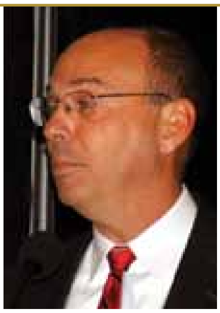
If your institution has adequate capital to grow the balance sheet, you could replace some, if not all, of this lost income by holding your fixed-rate production, even the 30-year product. Holding mortgages on the balance sheet can provide both loan growth and an annuity stream of income. Members generally convey to us that they are not willing to hold 30-year fixed-rate mortgages on the balance sheet at the current rates, and are therefore selling any production. While most members are willing to hold 10-, 15- and 20-year fixed-rate mortgages, the assumption that the asset average life will be shorter may be misguided. The typical borrower of the shorter fixed-term mortgage is likely looking to pay off their mortgage as they prepare for retirement, and will generally make few if any prepayments. The borrower profile of a 30-year fixed-rate mortgage tends to be a first-time home-buyer who is concerned with the ability to afford the monthly payment, and may be likely to prepay the mortgage as they outgrow their starter home. Could the average life of the 30-year fixed rate mortgage actually prove to be shorter?

Funding 30-year fixed-rate mortgage originations with a blend of FHLB Boston advances allows a member to generate spread income, while hedging a portion of the interest-rate risk. Wholesale funding across the curve is near historic low-rate levels, and the margin for funding mortgages is historically wide. The net interest spread available today makes a compelling case to retain and fund mortgage originations.

As an example, by funding the mortgage originations with a combination of 40 percent of the seven-year Classic advance and 60 percent of a seven-year Amortizing advance, a member can lock in the net interest spread on the originations for the first seven years with an initial net spread in excess of 200 basis points. In this scenario, even if rates rise 300 basis points, the average net spread is projected to be about 200 basis points over the first seven years. Alternative funding scenarios that some members have employed include using a ladder of Classic advances out to seven years, a barbell funding approach relying on a mix of long- and short-term advance funding, or incorporating the Classic Plus Cap advance as a hedging tool.

In an effort to reach growth and income targets, some members have been purchasing mortgage-backed securities at a premium. The rate sensitivity of the underlying mortgages may have caused the mortgage-backed security to prepay faster than projected as mortgage rates have continued to decline, leaving little yield as the premium is amortized. If loan demand is slow in your market area, have you considered offering a below-market rate in order to generate volume instead?

Members who are selling their mortgage production might be forgoing the opportunity to maintain a valuable income stream. By funding the mortgages you are originating today, you can eliminate the risk that the tide will turn on the rate outlook before you put on the insurance policy to protect future earnings. Long-term advances are readily available, historically cheap, and provide the funding and hedging tool allowing you to retain your long-term mortgages. In the financial strategies department, we are continuously analyzing customized funding allocations for the membership and we would be happy to work with you to home in on your specific goals and objectives. Please contact your relationship manager or a financial strategist to discuss your institution's unique funding requirements. ■



Art Casavant

Member Interview

The Value of the Bank's Housing Programs

"There's a level of professionalism and skill that comes from the FHLB, which facilitates better structuring of transactions for everybody involved."

Kenneth A. Willis, first vice president/director of housing and community investment, recently met with Art Casavant, community reinvestment officer/economic development manager at member People's United Bank in Bridgeport, Connecticut, to discuss the impact that the Bank's housing programs have on members' community-development strategies and business.

KENNETH WILLIS: People's United Bank is a premier commercial bank in the Northeast. What is your Bank's philosophy on community lending?

ART CASAVANT: The bank's philosophy is rooted in the notion that the most important thing we can do for all communities, particularly low- and moderate-income communities, is to aggressively look for loan opportunities, provide deposit services, and invest in a way that supports economic growth. In low- and moderate-income communities, we want to extend credit whenever it is plausible, in a way that is inclusive and fair. We never want to extend credit if we believe it will damage a customer. If a customer is ineligible for credit, we want to help provide access to funding via a community development financial institution we support with lines of credit and, in many cases, with equity investments.

KW: You mentioned expansion of economic development. How do the Bank's Affordable Housing Program, Equity Builder Program, and Community Development advance help you advance that strategy?

AC: The role of the FHLB is enormously important — even when the transaction doesn't necessarily include FHLB money. I'll give you an example of how this works. Many of the affordable developments in which People's United has been an investor wouldn't have happened without the ability of smart people to put together many different funding sources. There are usually five, six, sometimes seven sources of funding, and every one of those sources is necessary to get the job done. The AHP component, for example, can be relatively small compared to the total collection of sources, but it's a catalyst that helps bring the other pieces together. The AHP also has a tendency — and it's a wonderful tendency — to get us thinking about what can happen, as opposed to why something shouldn't happen. This includes the application process, when we get to see many prospective applicants, some of whom we can support, some of whom we can't. But each engages our lending and investing professionals in a long discussion of specific project ideas. The developer may decide they are not going to apply for an AHP this year but may come back the following year or conclude perhaps that the AHP is not going to work for them. But through the AHP process they have benefitted from conversations on various sources of funding, including Low-Income Housing Tax Credits, historic tax credits, or New Markets Tax Credits. This creates a really wonderful collection of ideas that eventually helps to get the financing done.

KW: The AHP is a source of equity for affordable housing projects but it also helps you on a lending basis because 99.9 percent of these transactions usually include some kind of end loan coming from you or a member bank. Can you speak a little bit about how the AHP helps mitigate some of the risk?

AC: Well, there are two ways that happens. The first is obvious. Any additional capital in a sources and uses statement makes any deal better. But where it really matters is the extra analysis FHLB participation provides. The process of getting AHP funding or even Community Development advance funding causes both the borrower and the bank to be better prepared and to think of the optimal way to do the financing. There's a level of professionalism and skill that comes from the FHLB, which facilitates better structuring of transactions for everybody involved. In addition, involvement of the FHLB adds a level of integrity to the transaction that is hard to measure. It gives everybody a level of comfort that there is full disclosure, a well-thought-out plan, and a supportive community behind a project. A good example is some of the deals that we have done up in Vermont, where we have combined HUD money, state money, FHLB money, and the bank's

"In addition, involvement of the FHLB adds a level of integrity to the transaction that is hard to measure. It gives everybody a level of comfort that there is full disclosure, a well-thought-out plan, and a supportive community behind a project."

money in a variety of debt and equity to produce housing. It's a wonderful and very complex system but in the end a lot of this just wouldn't happen without the FHLB in the middle of it.

KW: Does your participation in the AHP also assist your organization in meeting your Community Reinvestment Act requirements?

AC: The FHLB assists us on all three tests of CRA. It helps us in our lending, it helps us in our investing, and it helps us in our service component. On the lending side, simply having the ability to go to the Community Development advance if we need to is important in our underwriting process. We haven't been a big user of the Community Development advance but only because we are basically deposit-funded and have been able to fund loans ourselves. But the availability of that is enormously important. On the investing side, having AHP money in a project makes our decision to invest either directly or through a Low-Income Housing Tax Credit project that much easier. And on the service side, the ability to have the FHLB's community development staff available to help us with respect to customers is enormous. The staff isn't huge but is very effective at encouraging people to think of alternative ways to fund projects. Also, the regional forums sponsored by the Bank are attended by developers, not-for-profits, state agencies, and bankers — virtually everybody who gets involved in affordable projects. Without those regional forums, you aren't necessarily able to get a concentration of people in a room to discuss important issues. This may not count for CRA, but the FHLB's role of convener is important. If you get bankers in a room with other smart people (some people might say the bankers aren't very smart) they're more likely to come up with better ideas.

KW: In the housing department we are always preaching that an AHP award should benefit the housing project as well as the member's business. Can you speak a little about business opportunities in community-development lending and how the FHLB programs allow you to realize additional opportunities in the community lending space?

AC: Our business opportunities are unlimited. We want to serve as many clients and customers as humanly possible within our footprint, which basically is five of the New England states and a hefty chunk of New York. In every case, we are trying to find transactions that will have the greatest impact on low-income communities. We do not lack for opportunities. If we start with 50 possible lending opportunities, we know that perhaps 25 of them are ready to go now and 25 either will never happen or won't happen until later. But using FHLB standards as a baseline helps us to start the discussion about how the deal needs to be modified and what it needs to be done to give it enough legs to receive credit. Credit can be received on a pure market basis, on a community-development financial institution basis, or on a government-agency or program-eligibility basis. All of them are good ways to get credit to market, but the essence of what the FHLB does is help encourage the discussion to help us come up with the most effective vehicle for providing financing.

KW: Is it fair to say then that when you do strategic planning at the beginning of a year you consider the FHLB as part of how you're going to meet some of those objectives around lending and community-development lending?

AC: Actually, we take it a step higher than that. For example, when we go to our senior management committee in early November, we talk about the next year's business plan. For us the FHLB is a critical partner. It's the only partner we see in every one of our markets, which is extremely important. We have some other critical partners, including funds sponsors like Housing Vermont, Northern New England Housing Investment Fund, and Massachusetts Housing Investment Corporation, but they aren't in every one of our markets. The enormous value of the FHLB is that it's in every one of our markets, has excellent professionals, and has people who are focused on the same goals as we are to expand access to credit and investment in low- and moderate-income communities.

KW: Is there anything else the Bank can do in addition to AHP, EBP, and CDA to help you expand access to credit in low- to moderate-income communities and accomplish your community lending goals?

AC: The most important thing the FHLB does is to provide consistent support through each of those housing programs as well as valuable information. That consistency is enormous. There's also the fact that the FHLB is there to support the general funding needs of member banks — never mind just our community-development operations — which facilitates an incredible amount of good volume. I would always be happy if there were additional AHP dollars available, but that is a function of the reality all of us are facing in our markets. We would always like to do more, but it's more important for us to do high quality transactions that both you guys and we support.

KW: I want to thank you for spending this time with me today. We enjoy working with Peoples United on all of its transactions with the Bank and look forward to doing a lot more with you in the future. ■

AHP Profile: Boston Massachusetts

Casa Esperanza SUPPORTIVE HOUSING

by Robert O'Malley

WHEN ARTHUR MACKINNON BECAME HOMELESS two and a half years ago, he knew he had to make some dramatic changes in his life. Alcohol was destroying his health to the point where he could barely walk.

"I decided it was time to get sober," says Mr. MacKinnon, seated in his studio apartment at Nueva Esperanza, an affordable housing complex operated by Casa Esperanza — a Roxbury-based nonprofit that provides housing and supportive services for people recovering from substance abuse.

A Salem native, Mr. MacKinnon entered a seven-month recovery program in Boston and was living in a temporary single-room occupancy unit when he learned about Nueva Esperanza. "I came down here and looked at it and I couldn't believe it," he says. "It was brand new; nobody had lived here before.

"I couldn't ask for any better support than what I have now," adds Mr. MacKinnon. "If I get the urge to drink, I have phone numbers to call even when the office is closed; Eric, the manager, gave me his cell phone number and said to call him right away if I feel like drinking — that's how much support you have here."

Funded in part by a $400,000 grant and a $570,000 subsidized advance (with an advance subsidy of $129,226) from the Federal Home Loan Bank of Boston's Affordable Housing Program through member RBS Citizens National Association, Nueva Esperanza includes 14 affordable studio apartments with supportive services for people recovering from substance abuse. The housing was built following the demolition of an existing structure on the site.

In addition to the Nueva Esperanza award, Casa Esperanza has benefitted from three other AHP awards. In 1994, the organization's Latinas Y Ninos initiative was awarded a $127,500 AHP grant to provide housing for women recovering from substance abuse, and their children. In 2002, Familias Unidas, 11 affordable single-room occupancy units and apartments with supportive services for graduates of substance-abuse treatment programs and their families, was awarded a $313,000 AHP grant and a $403,145 subsidized advance (with a $52,643 advance subsidy). And in 2001, Dunmore Place — six affordable apartments for women recovering from substance abuse — was awarded an $85,000 AHP grant. Three of these AHP-funded housing sites are adjacent to Nueva Esperanza on Eustis Street and the fourth is a block away.

Founded in 1984 by Ricardo Quiroga in response to a growing substance abuse problem in Boston's Latino community, Casa Esperanza opened as a bilingual, Spanish-English residential treatment program for men in a Eustis Street building acquired from the city for $1. Since then, the organization has expanded to include 37 units of supportive, permanent housing and an outpatient program that provides relapse-prevention and after-care services for men, women, and children.

Most of Casa's housing — which includes single-resident occupancy units and apartments for low- and very low-income residents — is Section 8 subsidized, says Emily Stewart, the organization's executive director.

"Rick knew that one of the greatest challenges our folks face when they completed their residential treatment was that they were still homeless, and that homelessness became an enormous trigger for relapse," says Ms. Stewart. "Today, all of our services are geared towards helping people become independent by providing a combination of substance-abuse treatment services, mental-health services, and housing services, as well as access to educational programs and vocational training."

Referrals to the organization's supportive housing come primar-

Left: Emily Stewart at Nueva Esperanza.

Right: View of the Dunmore Place project.

ily from the Boston Housing Authority and the Metropolitan Boston Housing Partnership. A limited number of units are unsubsidized to accommodate residents who have difficulty accessing Section 8 vouchers. Many of Casa's residents have disabilities or serious chronic illness, and about 25 percent are HIV positive.

"The vast majority of our residents are living with co-occurring mental health disorders and substance abuse, including those in our family units," says Ms. Stewart. "We understand that substance abuse and mental health are generational issues, familial issues that affect the entire family."

The organization's supportive services include on-site case managers in the Nueva Esperanza building as well as outpatient substance-abuse and mental-health counseling, HIV counseling and testing, education, group counseling, and other services in its Familias Unidas Center on Eustis Street. "Through our partnership with Boston Health Care for the Homeless, we have a psychiatric nurse practitioner here one day a week to prescribe medicine and provide medication evaluation," Ms. Stewart says. "We really have a full spectrum of behavioral and social services that are available right here on campus, and we have strong community partnerships that enable us to refer our clients to other providers that have the services they need if we don't offer them on campus.

"Most of our residents are well below 30 percent of the area median income and are considered extremely low income," says Ms. Stewart. "The Section 8 voucher for most of them covers the majority of their rent, but residents who are working pay more as their income increases and they move toward greater levels of independence."

In addition to impacting the lives of its residents, Casa Esperanza's campus along Eustis Street has contributed significantly to stabilizing the Dudley Square neighborhood in which it resides. "Both the men's programs and the women's program were developed from abandoned buildings in an area that looked like a war zone," says Ms. Stewart. "I think anybody coming to Eustis Street now would see a thriving neighborhood and a real sense of community."

Ms. Stewart says the organization plans to continue its expansion, possibly to other Boston neighborhoods or cities with large Latino communities. "One area of particular importance and focus for us is providing integrated substance-abuse, mental-health, and primary-care services on our campus, including becoming a federally qualified health center," she says. "We would hope to become a culturally focused health home for the people we serve and use that as an umbrella to expand our other services, including supportive housing." ■

Recovering from Substance Abuse: Arthur MacKinnon's Story

When I graduated from high school I got a job at Parker Brothers, which was a game factory in Salem. I worked there for 12 years. I moved from machine operator to lead man – the person who sets up the machines. When the company sold out and moved to Springfield, I went back to school and took up the machinist trade. I was a machinist for the rest of my life and worked for about 14 years at a couple of places in Beverly.

I wasn't a slouch. I enjoyed my work. I had only three jobs my whole life. I enjoyed what I did, but I became dependent on alcohol. It was fun at first, but it got to the point where I was drinking every day. I would drink in the morning to get rid of the shakes. That was how I became handicapped. I developed neuropathy in my legs from drinking too much. I ended up getting three herniated discs in my lower back. I was just falling apart, and it was time to wake up. I woke up by getting sober and coming here (to Nueva Esperanza.) Living here has been great for me. I'm very happy now. ■

A Conversation with HUD's New England Administrator

In November, Barbara G. Fields, New England regional administrator of the U.S. Department of Housing and Urban Development, sat down with M. Susan Elliott, executive vice president and chief business officer at the Federal Home Loan Bank of Boston, to discuss Ms. Fields' work at HUD and her plans for the upcoming year.

Left: M. Susan Elliott, executive vice president and chief business officer at the Federal Home Loan Bank of Boston. Right: Barbara G. Fields, New England regional director of the U.S. Department of Housing and Urban Development.

SUSAN ELLIOTT: You've been in office for a year. What do you consider to be your major accomplishments?

BARBARA FIELDS: I have always been a team builder. It's been very exciting to work with HUD staff from the multifamily housing division and put them in a room with staff from our public housing or community development or fair-housing division. More important, it has been exciting to get them out in the field together. Last year, I asked each of our field directors to choose at least one site in their respective states where they felt there was a challenge or where HUD could add value. One site chosen was Brattleboro, Vermont. There had been a fire in a major downtown residential/commercial building and after that the area was hit by Hurricane Irene. We took the HUD team to Brattleboro to have meetings with the town manager, neighborhood residents, the public housing authority, and the economic development planner. We were all thinking together about the challenges Brattleboro faces as it rebuilds: Where is the housing going? How should we be rebuilding downtown? Where is appropriate to do mixed use? We had a HUD team at the table talking about the implications for public housing, block grant money, and Section 108 (economic development funds). I think the people there really appreciated seeing HUD staff together like that. In addition to our internal "cross" program work, we are also focusing on working across federal agencies. For example, I recently went with some HUD senior staff to meet with the senior staff at the Environmental Protection Agency (EPA). We have a fair-housing division and they have an environmental justice division. How could we begin working together in a communities like New Bedford or Nashua? The cross agency and the cross program work has been very rewarding for me.

SE: Can you talk a little about your priorities for 2013?

BF: I think HUD's priorities will remain the same. Clearly with the recent election we

are likely to have most of the same leadership team in place. The first priority is to strengthen the housing market beginning with the foreclosure situation and getting assistance to people most in need. The attorneys general in New England have been working with us to make sure that the money from the $25 billion settlement goes where it was designed to go. I am particularly proud of HUD for continuing to work on homebuyer counseling. It's not just about buying a home but also about offering people an opportunity to think about financial planning. Second priority is preventing homelessness, especially among veterans. Each New England state is vying to be the first to end veteran homelessness. It's a competition I would like them all to win. Third, we continue to focus on the preservation of existing housing. We will never make inroads if we lose the housing stock we currently have. HUD's Rental Assistance Demonstration (RAD) program involves attracting private resources by giving long-term Section 8 contracts to public housing and multifamily developments. Congress gave us permission for up to 60,000 public housing units nationwide and an unlimited number of multifamily units. We don't know yet what the appetite is in the private market for financing this housing, but we are working hard to roll out this new program. Fourth, we will continue our work on the Sustainable Communities and Choice Neighborhoods programs. I have a passion for both of these programs. It's the type of comprehensive community building I was doing for a decade before coming to HUD. New England regions from rural Maine to Boston have received 28 Sustainable Communities grants. This program explores the connection between transit, housing, jobs, brownfield cleanup, etc. It involves partnerships between EPA, HUD, and DOT. Choice Neighborhoods involves collaboration between HUD and agencies such as the Department of Education and the Department of Justice to help revitalize neighborhoods. Some people may say the dollars for these programs are small compared to the overall HUD budget but these are demonstration programs that help us learn what works and what doesn't. Choice Neighborhoods was built on the former HOPE VI program. We're expanding beyond public housing to multifamily housing and beyond housing to people and neighborhoods. We are always trying to learn from past lessons.

SE: You have put a premium on traveling throughout the district, talking to housers, policymakers, financial types. What can you share about what you have learned from these stakeholders? Any emerging trends?

BF: I recently took a group from HUD to see the Sandywoods Farms development in Tiverton, Rhode Island. They were pretty speechless. HUD has invested a lot of money in that project along with the Federal Home Loan Bank of Boston, LISC, and Rhode Island Housing. That is such an innovative and groundbreaking project — artist housing, open space, community

"Many people are thinking: how are we going to operate with fewer resources, what does this mean for us? I see people at the local level doing what we are doing internally at HUD — reaching out to form partnerships."

gardens and a wind generator all connected in one community. We do not lack for innovative and efficient ways to use our money. It's important to go around and see how our money leverages tax credits or Federal Home Loan Bank funding. In general, I think we are trying to bring that same spirit of partnership to many of our programs. What I like to do is bring people together and cross fertilize. If I see a great idea in Lewiston, Maine, I'll share it with someone in Burlington, Vermont. Many people are thinking: how are we going to operate with fewer resources, what does this mean for us? I see people at the local level doing what we are doing internally at HUD — reaching out to form partnerships. There was recently a meeting in Vermont where public housing authorities met with nonprofits. The two groups always saw themselves as competitors, but they were in a room together figuring out how they could collaborate and work together to serve Vermont. This is something I'm seeing a lot more of across the region. In a meeting I recently attended with the mayors of Bridgeport, Norwalk, Stamford, and New Haven, the Mayor of Bridgeport said: 'these were my competitors before, but now we are in this room to start a discussion — thanks to funding from HUD.'

SE: Boston has received a number of grants from the D.C. office – most recently one of only 17 Choice Neighborhood grants awarded across the country. Could you comment on how this process to revitalize public housing and transform neighborhoods will work?

BF: We are very fortunate in New England to have a number of Choice Neighborhoods grantees. Choice planning grants of $300,000 are given to a city, a nonprofit, or a public housing authority. These grants focus on public housing, multifamily housing, or both. Boston, Springfield, Providence and Woonsocket, Rhode Island, and Norwalk, Connecticut received planning grants. In addition to the planning grants, there are large-scale implementation grants of between $20 and $30 million. Boston received a $20.5 million implementation grant, but only $15 million will be used for housing. Of the $6 million remaining, $3 million will go into community projects that complement the housing and $3 million into community services. We're committed to this relationship of people, neighborhoods, and places. The idea is to use the planning grants to think about a neighborhood-based transformation that is centered on housing but goes beyond housing. Many recipients of planning grants also want to apply for implementation grants. But our resources are limited, and other options, such as working with the RAD program and investments from philanthropy, need to be considered to carry out the projects. Norwalk and Providence are proposing to take down seriously outdated housing and rebuild it, but their proposals also include elements such as a walking path or a community garden at a neighborhood school. So it isn't just the housing that is important. The program is trying to break down old patterns and to think more comprehensively about the community. This is a new approach for HUD.

SE: What are the challenges that are expected next year for housing policies in New England?

BF: I think the demands are great and the budgets are tight. The question for us is how can we be value-added? Governor Deval Patrick recently announced that he wanted to see 10,000 new units of housing a year for the next eight years. It's an ambitious plan. While only 15 or 20 percent of that is going to be affordable, quite honestly we can't meet the challenges if we're not working with private sector partners like the Federal Home Loan Bank or federal agencies such as the U.S. Department of Agriculture (USDA). We need to partner with USDA, other agencies, housing-finance agencies, community-development corporations, and for-profit developers. This administration is focusing on transforming how we do our business internally and externally. If our budget isn't going to change dramatically, the

"I was thinking today how 62 families have already moved into a development in Lawrence I recently visited. That means they will be spending this holiday season in a place where they want to be, where they will stay, where they will build family traditions…"

question is: how are we going to be efficient in what we do and effective on the ground?

SE: We seem to run into each other more often than ever at celebrations for housing projects that have received both AHP and HUD funding. How can we continue to work together to create these synergies?

BF: When we're out together, we're working together. But we can do more around mutual investments and promoting various funding rounds. We also want to see what kind of projects you are funding, particularly the ones where we have money. We each have our own underwriting and do things differently, but this is a new world and it's going to take all of our resources to get things done. I'd also like to mention a valuable tool available at hud.gov that may be of interest to your readers. It's called CPD maps, and it allows users to see where HUD has been investing its resources. Eventually, I hope that it will show our multi-family investments as well.

SE: Would you please share with us your thoughts about the upcoming Administration and Secretary Donovan's housing goals for the upcoming year?

BF: The Secretary is committed to the priorities that I outlined earlier. They will remain our priorities in 2013. In addition, late in the first administration the secretary brought on a new deputy secretary, who is focused on HUD internal operations. He said recently that we can't have good programs and services if we don't have good operations. So I'm hopeful that in this second term you'll continue to see

noticeable improvements in our operations. The secretary has a large agenda but a very clear vision that has been helpful to those of us who help him carry it out.

SE: Do you have any thoughts on what affordable housing means to the people who live in it?

BF: If a child walks into a school where the walls are peeling and there are not enough books and there is no modern technology, what message are we sending? It's the same thing with housing. Housing is a starting point. You have to wake up somewhere in the morning and go to school or go to a job or go to job training or go to a senior center. I was thinking today how 62 families have already moved into a development in Lawrence I recently visited. That means they will be spending this holiday season in a place where they want to be, where they will stay, where they will build family traditions and celebrate holidays. I'm always thinking about this, thinking about the kid who was living in a shelter and doing her homework there, thinking about the neighborhood in Woonsocket, Rhode Island, where Joe Garlick of NeighborWorks Blackstone River Valley restored 25 abandoned buildings — with support from the AHP — in the early 1990s and where there's now a Boy Scout troop for the first time in 40 years. I'm thinking too about Ollie's Pizzeria, a small business that undertook a major façade upgrade because business improved after new housing opened nearby. So it's not a choice between economic development and housing — the two go together. I recently heard a young woman in Rhode Island read her award-winning essay on "what home means to me." She read it at a public housing event in front of a senator, two congressmen, a mayor, and the head of Rhode Island Housing. There wasn't a dry eye in the room. This girl was 14 years old. One Sunday her parents took her and her sister up to a house. They asked her, "where are we?" She answered that they were stopped in front of some house. When they responded 'this is our new house,' she couldn't believe she was going to live there. She wrote about how she could close her door and have sleepovers now. She wrote how she eventually got a dog. Before she moved there she had been living in a basement with her mom and stepdad. So on some level it is not rocket science. We know what we need to do. ■

Bank Announces 2012 AHP Awards

The Federal Home Loan Bank of Boston awarded more than $14.2 million in grants and rate subsidies to fund 48 initiatives in the 2012 Affordable Housing Program.

The awards will create or preserve 1,004 rental and ownership units for very low-, low-, and moderate-income individuals and families.

In the 2012 round, the Bank received 57 applications requesting over $17.6 million in grants and advance subsidies. Forty-eight applications, or 81 percent of total applications received, were approved for AHP subsidy awards.

Thirty of the awards will create or preserve 889 rental units, while 18 awards will create 115 ownership units.

2012 Affordable Housing Program Approvals

Bloomfield, Connecticut

Windsor Federal Savings & Loan Association
Hartford Area Habitat for Humanity
$150,000 grant
6 ownership units
Hartford Habitat Bloomfield Development

Bridgeport, Connecticut

Connecticut Community Bank, N.A.
Habitat for Humanity of Coastal Fairfield County
$336,000 grant
14 ownership units
Bridgeport Neighborhood Build 2

Niantic, Connecticut

Liberty Bank
Habitat for Humanity of Southeastern Connecticut
$25,000 grant
1 ownership unit
Flanders Road Home

Stamford, Connecticut

People's United Bank
Mutual Housing Association of Southwestern Connecticut, Inc.
$386,257 grant and subsidy, $700,000 advance
47 rental units
Trinity Park

Bangor, Maine

People's United Bank
Penobscot Community Health Center
$400,000 grant
48 rental units
Hope House Transitional Housing Renovation Project

Brunswick, Maine

Bath Savings Institution
Greater Brunswick Housing Corporation, Brunswick Housing Authority
$505,477 grant and subsidy, $400,000 advance
15 rental units
Brunswick Affordable Apartments 2012

Dover Foxcroft, Maine

Bangor Savings Bank
MaineStream Finance, Penquis CAP, Inc.
$60,000 grant
2 ownership units
Piscataquis County Restoration Project

Ellsworth, Maine

Machias Savings Bank
Penquis CAP, Inc.
$300,000 grant
26 rental units
Leonard Lake Senior Housing

Houlton, Maine

Bangor Savings Bank
Houlton Band of Maliseet Indians Tribal Housing Authority
$250,000 grant
28 rental units
Maliseet Revitalization Project #1

Acton, Massachusetts

Leominster Credit Union
Habitat for Humanity North Central Massachusetts
$30,000 grant
1 ownership unit
Habitat for Humanity North Central Massachusetts

Amherst, Massachusetts

Easthampton Savings Bank
Pioneer Valley Habitat for Humanity
$19,627 grant
1 ownership unit
Belchertown Road – Amherst

Boston, Massachusetts

Boston Private Bank & Trust Company
United Housing Management, LLC
$400,000 grant
73 rental units
Roxbury Hills

Boston, Massachusetts
Bank of America Rhode Island, N.A.
Planning Office for Urban Affairs
$273,251 grant and subsidy,
$1.4 million advance
33 rental units
St. Kevin's Residential

Chelsea, Massachusetts
Boston Private Bank & Trust Company
The Neighborhood Developers
$300,000 grant
10 rental units
215 Shurtleff

Danvers, Massachusetts
North Shore Bank, A Co-Operative Bank
Habitat For Humanity – North Shore, Inc.
$58,118 grant
2 ownership units
Mill Street Danvers

Falmouth, Massachusetts
BankFive
The Resource Inc
$97,300 grant
3 rental units
20 Shore Street

Florence, Massachusetts
Florence Savings Bank
Pioneer Valley Habitat for Humanity
$59,536 grant
2 ownership units
Garfield Avenue – Phase Three

Gilbertville, Massachusetts
FamilyFirst Bank
South Middlesex Opportunity Council, Incorporated
$275,000 grant
12 rental units
Central MA Housing

Haydenville, Massachusetts
People's United Bank
Hilltown Community Development Corporation
$313,731 grant and subsidy,
$350,000 advance
11 rental units
Haydenville Village Center Apartments

Lawrence, Massachusetts
Enterprise Bank and Trust Company
Merrimack Valley Habitat for Humanity
$239,815 grant
10 ownership units
100 Parker Street

Lowell, Massachusetts
Eastern Bank
Habitat for Humanity of Greater Lowell
$36,666 grant
4 ownership units
Transforming Neighborhoods, Transforming Lives Neighborhood Revitalization Initiative in Lowell's Acre

Lynn, Massachusetts
North Shore Bank, A Co-Operative Bank
Habitat For Humanity – North Shore, Inc.
$89,637 grant
3 ownership units
Grover Street, Lynn

New Bedford, Massachusetts
Bristol County Savings Bank
Kennedy-Donovan Center, Inc.
$249,576 grant and subsidy,
$250,000 advance
10 rental units
Kennedy-Donovan Center 2012 New Bedford Project I

New Bedford, Massachusetts
BayCoast Bank
Kennedy-Donovan Center, Inc.
$249,576 grant and subsidy,
$250,000 advance
10 rental units
Kennedy-Donovan Center 2012 New Bedford Project II

Orleans, Massachusetts
Cape Cod Five Cents Savings Bank
Habitat for Humanity of Cape Cod, Inc.
$133,932 grant
5 ownership units
Habitat for Humanity Namskaket Homes

Rockport, Massachusetts
Rockport National Bank
Supportive Living, Inc., Old Farm Inn, Inc.
$398,302 grant and subsidy,
$400,000 advance
6 rental units
Old Farm Rockport

Salem, Massachusetts
Bank of America Rhode Island, N.A.
Planning Office for Urban Affairs
$400,000 grant
51 rental units
St. Joseph's Redevelopment

Turners Falls, Massachusetts
Greenfield Savings Bank
Pioneer Valley Habitat for Humanity
$29,910 grant
1 ownership unit
Franklin County – Warner Street

West Tisbury, Massachusetts
Martha's Vineyard Savings Bank
Habitat for Humanity of Martha's Vineyard
$50,639 grant
2 ownership units
Bailey Park Road Development

Concord, New Hampshire
Meredith Village Savings Bank
Independent Living Concord
$595,562 grant and subsidy,
$698,625 advance
12 rental units
Independent Living Concord

Dover, New Hampshire
Centrix Bank & Trust
The Housing Partnership
$559,097 grant and subsidy,
$840,000 advance
42 rental units
Woodbury Mills

Franklin, New Hampshire
Meredith Village Savings Bank
Lakes Region Habitat for Humanity
$30,000 grant
1 ownership unit
Habitat Handicap Accessible House – Franklin, NH

Marlborough, New Hampshire
People's United Bank
Southwestern Community Services, Inc.
$200,000 grant
24 rental units
Marlborough Homes

Newport, New Hampshire
Lake Sunapee Bank, FSB
Housing Initiatives of New England
$782,136 grant and subsidy,
$2,188,000 advance
43 rental units
Newport House

Wolfeboro, New Hampshire
Meredith Village Savings Bank
Laconia Area Community Land Trust, Inc.
$440,873 grant and subsidy,
$155,000 advance
24 rental units
Harriman Hill Workforce Housing

Coventry, Rhode Island
Coventry Credit Union
Coventry Housing Associates Corporation
$400,000 grant
40 ownership units
Pine Haven Acres

Cumberland, Rhode Island
Bank Rhode Island
Valley Affordable Housing Corporation
$666,434 grant and subsidy,
$2,240,000 advance
54 rental units
Ashton Village

East Greenwich, Rhode Island
BankNewport
East Greenwich Housing Authority
$577,715 grant and subsidy,
$960,448 advance
10 rental units
South County Trail

Newport, Rhode Island
BankNewport
Housing Authority of the City of Newport
$426,387 grant and subsidy,
$409,855 advance
59 rental units
Park Holm New Construction

Pawtucket, Rhode Island
Pawtucket Credit Union
Pawtucket Citizens Development
Corporation
$456,322 grant and subsidy,
$175,000 advance
40 rental units
Blackstone Valley Gateways II 2012

Providence, Rhode Island
Bank Rhode Island
Omni Development Corporation
$355,296 grant
55 rental units
Phoenix Renaissance

Richmond, Rhode Island
Coastway Community Bank
Women's Development Corporation/ Women's Opportunity Realty Corporation
$400,000 grant
17 ownership units
Altamonte Ridge Condominiums

Warwick, Rhode Island
Coastway Community Bank
House of Hope Community Development Corporation
$400,000 grant
6 rental units
69 Fair Street

Burlington, Vermont
People's United Bank
Burlington Housing Authority, Housing Vermont
$794,623 grant and subsidy,
$3,825,000 advance
49 rental units
Bobbin Mill

Hancock, Vermont
National Bank of Middlebury
Addison County Community Trust, Inc.
$218,929 grant and subsidy,
$225,000 advance
5 rental units
Mountain View Apartments

Manchester Center, Vermont
The Bank of Bennington
Bennington Area Habitat for Humanity
$90,000 grant
3 ownership units
Jennifer Lane Project

Rutland, Vermont
Passumpsic Savings Bank
Bardwell House Associates, The Housing Foundation, Inc.
$577,210 grant and subsidy,
$500,000 advance
75 rental units
The Bardwell House Apartments

Vergennes, Vermont
National Bank of Middlebury
John Graham Shelter
$182,143 grant and subsidy,
$115,000 advance
8 rental units
Green Street Transitional Housing

Two New Faces at the Bank

Ana Dyer
Director of Sales and Business Development

Ana C. Dyer has joined the Federal Home Loan Bank of Boston's Member Services team as first vice president/director of sales and business development.

Ms. Dyer will lead the Bank's sales and business development, Money Desk, and Mortgage Partnership Finance® teams. "I'm excited to be at the Bank and look forward to working with our members to ensure that we are delivering the products and services that members want from the Bank," she says. "I hope to continue to find ways to further enhance the great relationships that have been built among our team and our members."

Ms. Dyer comes to the Bank from Webster Bank, N.A., where she served as senior vice president, regional manager, business and professional banking. She previously held senior positions at Bank of America, Bank of Boston, and Shawmut Bank, and graduated cum laude from Harvard College with a Bachelors of Arts in economics.

Ms. Dyer resides in Mattapoisett, Massachusetts. She has two children, TJ, a third-year student at Northeastern University, and Celia, a second-year student at the University of Virginia.

Jason Hwang
Director of Financial Strategies

Jason Hwang has joined the Federal Home Loan Bank of Boston's Member Services team as vice president/director of financial strategies, research, and membership applications.

Mr. Hwang comes to the Bank from Cornerstone Research, where he managed consulting assignments involving complex data analysis for financial institutions and securities practices.

Mr. Hwang plans to use his background in economic and financial research to develop attractive business solutions for members. "We want to offer solutions — based on each institution's unique circumstance — to support them in the current and future rate environments," Mr. Hwang says. "We are starting to see signs of stronger loan demand and a slow-down in the growth of deposits in our member communities. Our goal is to help members obtain the funding mix that is best suited for their unique needs while mitigating liquidity and interest-rate risk."

Mr. Hwang says it was the overall mission of the Bank that initially attracted him — "the fact that I can look around in my own community and see tangible results of the Bank's work in supporting community development and affordable housing."

Mr. Hwang holds a Ph.D. in economics from Harvard University, where he focused his academic research on economic development and growth. He earned master's and undergraduate degrees in economics from Queen's University.

Mr. Hwang resides in Somerville, Massachusetts with his wife Jill, an attorney with the Refugee and Immigration Services of Catholic Charities, and their two young sons, Collin and Owen. ■

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Members Express Satisfaction with Bank Services

The Bank conducted an online survey of our members in November to gauge the level of satisfaction with our performance, staff, business solutions, and other attributes associated with membership. Overall, members indicated a very high level of satisfaction across a broad range of products and services.

Ninety-seven percent of respondents were either very satisfied or satisfied with the responsiveness and helpfulness of staff and with the Bank's core mission of providing a reliable and stable source of funding in all business cycles.

To encourage a strong response, members who completed the survey were entered into a random drawing to win an iPad2. Andrew Spinneit, chief financial officer, RTN Federal Credit Union, was the winner. Congratulations!

Thank you to everyone who participated in the member satisfaction survey. We appreciate your feedback and comments. ■

SAVE THE DATE: APRIL 19, 2013

2013 ANNUAL SHAREHOLDERS MEETING

Special keynote speaker will be Andrew Zolli, co-author of *Resilience: Why Things Bounce Back*, a new book which explores how we can adapt and flourish in ever-changing environments.

Boston Marriott Newton
Newton, Massachusetts

FHLB Boston Around the Region

Victory Gardens Groundbreaking, October 10, 2012. The Victory Gardens initiative involves the rehabilitation of a former nurses' house and construction of seven townhouse-style buildings to create 74 units of rental housing and community space for veterans on the site of the Veterans Affairs Medical Center in Newington, Connecticut. Developed by the Women's Institute for Housing and Economic Development, the initiative received an $800,000 grant and subsidy and a $3.3 million advance from the Bank's Affordable Housing Program through member Webster Bank, N.A. The project is part of the federal initiative to end veteran homelessness. Fifty percent of the units will be set aside for formerly homeless veterans. **Top:** from the left, Nick Lundgren, director, Office of Housing and Community Development, Connecticut Department of Economic and Community Development; Stephen Woods, mayor, Town of Newington; Dara Kovel, chief housing officer, Connecticut Housing Finance Authority; State Representative Sandy Nafis; U.S. Senator Richard Blumenthal (D-CT); Loni Willey, executive director, Women's Institute for Housing and Economic Development; Robin M. Gallagher, senior vice president, Webster Bank, N.A.; Dr. Laurie Harkness, director of Recovery Services and the Errera Center, VA-CT Health Care System; Tony Lyons, vice president acquisitions/Northeast region, National Equity Fund; State Senator Paul R. Doyle;. M. Susan Elliott, executive vice president/chief business officer, Federal Home Loan Bank of Boston; and Mollye Wolahan, deputy director, Women's Institute for Housing and Economic Development. **Middle left:** from the left, M. Susan Elliott, executive vice president/chief business officer at the Federal Home Loan Bank of Boston; and Bob Annon, regional president, Webster Bank, N.A. **Middle center:** The former nurses' house on the site. **Middle right:** from the left, Joanne Sullivan, vice president/director of government and community relations, Federal Home Loan Bank of Boston; Shelley Magrino, assistant vice president, Webster Bank, N.A.; and Robin M. Gallagher, senior vice president, Webster Bank, N.A. **Bottom left:** Veterans attending the Victory Gardens groundbreaking. **Bottom right:** M. Susan Elliott, executive vice president/chief business officer, Federal Home Loan Bank of Boston, and Senator Richard Blumenthal.

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