



STRONG COMMUNITIES FUND
FHLB DES MOINES

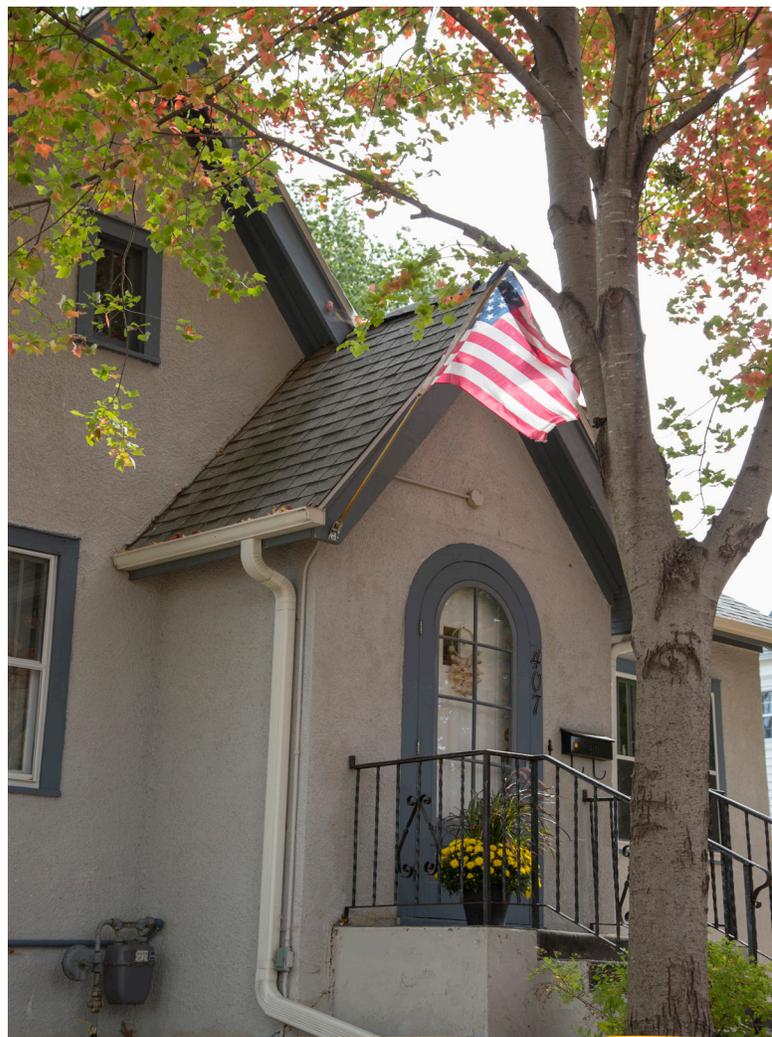
2015 Advisory Council Annual Report



Strong Communities Fund

The Strong Communities Fund illustrates FHLB Des Moines focus on providing funding to support stability and growth in the communities we serve.

Our traditional housing grants, within the Strong Communities Fund, provide capital for the construction and preservation of affordable housing while also creating jobs and improving local economies.



The 2015 Competitive Affordable Housing Program awarded \$19.3 million to help create 2,317 homes.

Letter from our Advisory Council Chair

COMMUNITY DEDICATION

It was a historic year for the Federal Home Loan Bank of Des Moines (FHLB Des Moines). On June 1, 2015, we completed the first-ever voluntary merger in the history of the Federal Home Loan Bank System. As a result of the merger with the Federal Home Loan Bank of Seattle (FHLB Seattle), we now offer affordable housing assistance to over 1,400 members across 13-states and three U.S. Pacific territories.

While the merger was not complete until June 1, 2015, the Advisory Council began laying the groundwork in February to meet the housing needs of our expanded district. Joint pre-merger Advisory Council meetings were held in Seattle and Minneapolis, with combined post-merger meetings occurring in Salt Lake City and Des Moines.

This work was reflected through our Strong Communities Fund (SCF) Affordable Housing Products. As you can see below, our partnerships have made a significant impact on communities across our district.

Competitive Affordable Housing Program (AHP)

51 projects received a total of \$19.3 million in grants to create or improve 2,317 homes

Homeownership Fund (HOF)

More than \$2.0 million was awarded to 140 members to provide down payment and closing cost assistance

Home\$tart and Home\$tart Plus

\$1.8 million was awarded to 41 members through Home\$tart and \$130,000 awarded to seven members through Home\$tart Plus to provide down payment and closing cost assistance

Native American Homeownership Initiative (NAHI)

\$200,850 was allocated to assist Native American families with purchasing a home

Community Investment Advance (CIA)

351 advances were originated, totaling almost \$374.2 million toward community improvement

NOTE: These figures include CIP/EDF advances from FHLB Seattle.

As the needs of affordable housing continue to evolve, the Federal Home Loan Banks (FHLBanks) have followed the lead of the Federal Housing Finance Agency (FHFA) in an effort to modernize the Affordable Housing Program (AHP). While the program's success speaks for itself, it is important to position AHP for its future relevancy as the affordable housing industry continues to evolve.

In February 2015, the Bank Presidents Conference (BPC) established an AHP Committee to facilitate collaborative dialogue with the FHFA, FHLBank Advisory Councils, and other stakeholders regarding the elements of AHP that have been successful and those that could be reconsidered.

Letter from our Advisory Council Chair

Informed by these discussions, the following recommendations were presented by the FHLBanks for FHFA consideration:

- Integrate AHP into the FHLBanks' core mission – Expand discretionary authority of FHLBanks to allocate the 10% AHP contribution to meet the needs and strategic objectives of their districts.
- Rationalize AHP's need for subsidy determination – Simplify AHP administration, ensure consistent application of standards, and increase transparency by improving clarity with respect to monitoring and need-for-subsidy determinations.
- Strengthen AHP coordination with other funders – Coordinate AHP to work with other major funding agencies by eliminating redundant oversight and subordinating AHP requirements where conflicts exist.
- Increase transparency for settling AHP claims for noncompliant projects – Improve the FHLBanks' ability to resolve noncompliance and to arrive at settlements that are in the program's best interests by expanding the “tool kit” of workout options.

As a result of AHP modernization discussions, we have expanded our collective understanding about AHP's value and its role in supporting the FHLBanks' mission as well as affordable housing finance. We are committed to continuing our work with the FHFA on this topic.

In addition to our affordable housing outreach, we were also an active partner in community and economic development. We expanded our Strong Communities Award in 2015 to offer a \$15,000 grand prize stipend to one urban and one rural project that promoted small business growth and retention within their communities.

The Award attracted applicants from across the expanded district, with four finalists in the rural category and three finalists in the urban category. After receiving nearly 10,000 votes during a two-week public vote, Harborstone Credit Union in Tacoma, Washington earned first place in the urban category, while First Southeast Bank in Harmony, Minnesota finished first in the rural category. Harborstone Credit Union founded a non-profit organization to provide small and micro businesses access to low-cost capital and high quality business consulting services. First Southeast Bank assisted in the retention and expansion of one of the region's largest employers.

In 2015, we experienced several new and exciting opportunities and we look forward to continuing our commitment in 2016 to providing solutions to meet the community needs of our members and their partners.



Jessica Thomasson

2015 ADVISORY COUNCIL CHAIR