

DOB connects

a webinar series by the Division of Banks



Generating Economic and Community Growth

Perspectives from the Federal Home Loan Bank of Boston &
the Federal Reserve Bank of Boston

*A discussion of Opportunity Zones, Strengthening Local
Economies through Partnerships, and Role of FHLB in
Building and Sustaining Wealth*



Date: November 6, 2019

Speakers:



Andrew J. Calamare, Chairman, FHLB of Boston



Kenneth Willis, First Vice President, FHLB of Boston



Aida Franquiz, Senior VP, Boston Private & Trust Co.



Carmen Panacopoulos, Sr. Business Strategy Manager,
Federal Reserve Bank of Boston



Erin Graves, Senior Policy Analyst, Federal Reserve Bank of
Boston

Moderator: Cindy Begin, First Deputy Commissioner

Administrator: Mayte Rivera, Deputy Commissioner



The opinions expressed in this presentation are intended for informational purposes, and are not formal or binding opinions of the Division.

Today's Topics

FHLB: History and Regional Role

Strengthening Local Economies Through Partnerships

Opportunity Zones

Resources

Biographies: Division of Banks

Cynthia Begin, First Deputy Commissioner

Cindy was appointed in May 2019 to the position of First Deputy Commissioner of the Massachusetts Division of Banks where she is responsible for the supervisory oversight of regulated institutions, agency operations, and policy implementation. Ms. Begin previously served as the Division's Chief Risk Officer responsible for the oversight of regulated banks, credit unions, and over 9,000 non-depository licensees as well as the agency's Enforcement and Investigation Unit. Ms. Begin has over 25 years' experience in financial services regulation working for the Division of Banks. She has held various other positions including serving as a Senior Deputy Commissioner, and as the Division's Assistant General Counsel. Prior to joining the Division, she worked as Vice President and Legal Counsel for the Massachusetts Share Insurance Corporation, and in positions at a Worcester-based bank holding company. Ms. Begin serves as a member of the Board of Managers of the State Regulatory Registry LLC and is a past President and Board member of the American Association of Residential Mortgage Regulators for which she received a Distinguished Service Award in 2014. She holds a Bachelor of Science in Business Administration from Nichols College and a Juris Doctorate from Suffolk University Law School. She and her family reside in Boston.

Mayte Rivera, Deputy Commissioner

Mayte joined the Massachusetts Division of Banks in 2007 as Director of Community Development. In 2008 she was promoted to Deputy Commissioner of the Consumer Protection and Outreach unit of the Depository Institution Supervision division. As Deputy Commissioner she has oversight and policy supervision of Consumer Protection and CRA compliance matters. In 2017, she received the FFIEC (Federal Financial Institutions Examination Council) Award of Excellence for her significant contributions in the development of the revised Consumer Compliance Rating System. Prior to joining the Division of Banks, Mayte directed a community and economic development center in Lawrence, Massachusetts funded by the U.S. Department of Housing and Urban Development. Mayte has a Bachelor in Business Administration and Master of Science in Community and Economic Development from Southern New Hampshire University. In 2009 she completed her doctoral education and dissertation research (ABD) at Northeastern University in Law and Public Policy. She has completed five half-marathons in southern New Hampshire in the last two years.

Biographies: FHLB and Boston Private

Andrew J. Calamare, Chairman of the Board, Federal Home Loan Bank of Boston

Andrew has been the Chairman of the Board of Directors of the Federal Home Loan Bank of Boston since 2007. He is the President and Chief Executive Officer of The Co-operative Central Bank. Mr. Calamare previously served as the President and CEO of the Life Insurance Association of Massachusetts, Of Counsel with the law firm of Quinn and Morris, and Commissioner of Banks for the Commonwealth of Massachusetts.

Kenneth Willis, First Vice President, Federal Home Loan Bank of Boston

As First Vice President and Director of Housing and Community Investment, Ken is responsible for implementing the Bank's strategic vision for administering housing and community investment programs, processes, compliance and reporting. In addition, he is responsible for designing and conducting community development outreach activities that educate and promote effective working relationships with lenders, state, and local housing-finance agencies, development organizations, nonprofit organizations, state and local officials and others that are involved in affordable housing and community economic development. Before joining the Federal Home Loan Bank of Boston, Kenneth was a CRA (Community Reinvestment Act) loan officer, residential mortgage originator, and underwriter for the formerly Bank Boston, where he gained expertise in developing and implementing special community development lending programs.

Aida Franquiz, Senior Vice President and Community Investment Officer, Boston Private Bank and Trust

For over 25 years, Aida has been actively involved in Compliance and CRA examinations involving the FDIC, OTS, Federal Reserve and the Massachusetts Division of Banks; five examinations have resulted in 'Outstanding' CRA ratings. Aida is involved with numerous organizations and initiatives in the Greater Boston area. Prior to joining Boston Private in 2006, she served as the Community Liaison Officer at the TD Bank Group, and prior to that she held a similar position at Boston Federal Savings Bank. She was born in San Juan, Puerto Rico and now is a resident of Newton, Massachusetts. She is fluent in Spanish and holds a Bachelor of Science in Electrical Engineering from the University of Massachusetts.

Biographies: Federal Reserve Bank of Boston

Erin Michelle Graves, Senior Policy Analyst, Policy Advisor
Regional & Community Outreach

Erin researches housing and other policies that impact the people living in disadvantaged neighborhoods. She received a doctorate in urban planning and sociology from the Massachusetts Institute of Technology, and a master's in planning from the University of Illinois, Chicago. She has published her work in *Housing Policy Debate*, *Journal of the American Planning Association*, *City & Community*, *New England Community Developments*, and *Communities, Banking*. Erin also manages the department's Visiting Scholar program.

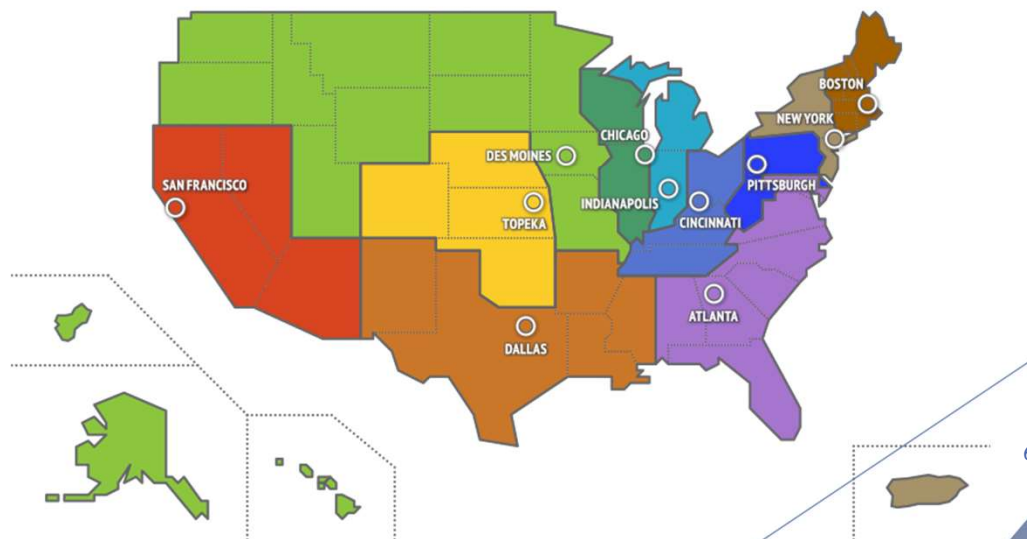
[Bio link:](#)

Carmen Panacopoulos, Sr. Business Strategy Manager
Regional & Community Outreach

Carmen manages Boston Fed relations with financial institutions headquartered in Maine, Massachusetts, New Hampshire, and Vermont. Previously, Carmen held leadership positions in the commercial real estate groups of JP Morgan Chase and RBS Citizens. She's also had management roles at the Federal Home Loan Bank of Boston and MassHousing. Carmen graduated from North Adams State College, has a master's in business administration from Simmons College, earned executive program certificates from MIT and Northeastern University, and has 20+ years' experience in real estate finance and CRA regulation. [Bio link:](#)

Federal Home Loan Bank System

- ▶ **Established by Congress** in 1932 to provide liquidity and funding to member institutions
- ▶ **Regulated by Federal Housing Finance Agency** and subject to the terms of FHLBank Act
- ▶ **Cooperative Structure** - Bank is owned by its members
- ▶ **Offers Low Cost Loans to Members** - Economies of scale, GSE Status, and Tax Exempt Status
- ▶ **Extremely Secure** - FHLB debt is the joint obligation of all 11 banks
- ▶ **FHLBank Boston mission** - Provide highly reliable wholesale funding, liquidity to New England financial institutions



Housing & Community Investment Programs

Affordable Housing Program

Grant program provides gap funding through member institutions for affordable housing initiatives

Community Development Advance

Discounted advances to members to fund affordable housing, economic development and mixed-use initiatives

Equity Builder Program

Provides homebuyer assistance for households with incomes at or below 80% area median income

New England Fund

Advances to support housing and community development initiatives that serve moderate-income households and neighborhoods

Jobs for New England

Low-cost advances for job creation and preservation and overall economic development

Housing Our Workforce

- New matching-grant program designed to assist New England's workforce with their homeownership needs; HOW is a component of our Helping to House New England initiative.
- Offers **two-to-one matching grants up to \$20,000** to assist homebuyers earning more than 80% and up to 120% of the area median income with down payments.
- Must be used for the purchase of a primary residence only and home purchase price limits apply.
- Designed to assist borrowers who are essential to the long-term economic vitality of our communities but may not meet the income eligibility requirements of other homeownership assistance programs, including FHLBank Boston's Equity Builder Program.



Opportunity Zones Discussion: Massachusetts Division of Banks

Erin Graves, Senior Policy Analyst & Advisor
Carmen Panacopoulos, Senior Business Strategy
Manager

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Outline of Presentation

- ▶ What are opportunity Zones:
 - ▶ Proposed funding mechanism and potential impacts
- ▶ Investments to-Date: Who, What and Where?
- ▶ “Ozone Effect”
 - ▶ Beyond provision utilization, “Administrative and Capital” effect
- ▶ What is Happening on the Ground in Massachusetts
- ▶ Questions

Opportunity Zones - What are they?



A provision that allows investors to defer paying taxes up to **10 years** from the realized gains of the sale of a liquid asset by investing such capital gains within **180 days** of its sale into a qualified real estate or business investment in designated economically distressed census tracts called “Opportunity Zones.” If they stay invested for the **full 10 years**, any gains from the investment themselves are tax-free.



- ▶ The Survey of Consumer Finances and Financial Accounts showed that U.S. households and corporations have **\$6.1 trillion** to their principal investments in the form of unrealized capital gains at the close of 2017. In 2014, investors reported \$716 billion in realized capital gains, paying \$139 billion in Federal taxes.

- ▶ Both a targeted and a general stimulus: While participants must apply capital gains in Opportunity Zones, they can redeploy the principal investment without constraint to geographic boundaries.



Investments to-Date: Who, What and Where?

- Lack of reporting structure makes it difficult to track investors utilization.
- Investors simply file their Qualified Opportunity Fund (QOF) with the IRS and self-certify of their deployment into qualified investments.
- Hundreds of funds have been established, **seeking** to raise billions. However, there is no information as to whether the funds have actually been capitalized
- Investors classification: Market; Social; and Speculative. Random sample showed that over half of the funds are geared towards social investors; another third appeared to target speculative investors and ten percent appeared to be market investors.

“Ozone Effect” Administrative and Capital



Administrative

- ▶ Professionals spending work hours in anticipation of Opportunity Zone investment
- ▶ For example:
 - ▶ Convening; Collaboration across state and local government to maximize on the opportunity; cities prospectus.
 - ▶ City staff developing “prospectuses” to showcase features of their communities and Opportunity Zones .

“Ozone Effect”

The mobilization of both fiscal and human capital in response to potential impact of Opportunity Zones



Capital

- ▶ Investments made in Opportunity Zones without use of Opportunity Funds.
- ▶ Example:
 - ▶ Buying real estate in anticipation that the area will appreciate in value.
 - ▶ Grants specially targeting Opportunity Zones.

Opportunity Zone: Activities in Massachusetts



- ▶ 138 Opportunity Zones
- ▶ Top level leadership coordination
- ▶ Cambridge Savings Bank financed first **OZ project in Attleborough**; City of Brockton put forth RFP for vacant lots in Opportunity Zones; Lynn Project
- ▶ High level of Administrative and Capital Effect

Housing & Community Investment Programs

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Grant program provides gap funding through member institutions for affordable housing initiatives

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New England Fund

Advances to support housing and community development initiatives that serve moderate-income households and neighborhoods

Jobs for New England

Low-cost advances for job creation and preservation and overall economic development

Resources:

- ▶ http://www.fhlbboston.com/communitydevelopment/ahp/03_01_05_initiatives.jsp
- ▶ <https://www.mass.gov/opportunity-zone-program>
- ▶ <https://www.bostonfed.org/community-development/supporting-growth-in-smaller-industrial-cities.aspx>
- ▶ <https://www.bostonfed.org/community-development/advancing-household-economic-security-and-equity.aspx>
- ▶ [Minimum- wage effects by neighborhoods FRB 2019.pdf](#)
- ▶ <https://www.mass.gov/info-details/cra-ratings-and-public-evaluations-for-banks-and-credit-unions>