



President's Message to Members

Last fall brought two important regulatory developments, on our Affordable Housing Program and our Mortgage Purchase Program. Both are, at a high level, positive developments for our ability to help our members provide affordable housing for their communities.

First, AHP: The new final rule brings needed flexibility to the program. AHP is approaching its 30th birthday, and we have worked with our regulator, the Federal Housing Finance Agency, for more than four years to modernize the program's rules. The housing needs of Kentucky, Ohio and Tennessee are different than those in, say, California and Florida. We believe the final rule allows the 11 Federal Home Loan Banks greater flexibility to respond to the unique affordable housing needs within their respective Districts.

The new rule was published in the Federal Register in November. Much of it, for members, would sound like inside baseball, related to how we manage and monitor the program. One big development for members is that the new rule gives us the ability to create "targeted funds" to meet specific housing needs in the Fifth District. If we determine, as an example, that there's a growing need for recovery or veterans housing, we can carve out a slice of AHP for that specific use. This will allow us to help communities facing a particular kind of housing crisis. We must implement the new rules by January 1, 2021, so we'll look for leadership from our Affordable Housing Advisory Council and our Board of Directors on a course of action.

Second, MPP: In October our regulator proposed a new set of rules for our Acquired Member Asset programs, including FHLB Cincinnati's Mortgage Purchase Program. New laws enacted after the financial crisis required that a program like MPP must meet affordable housing goals. The law and the resulting regulations, however, lacked specifics about what the goals or program thresholds should be. Without knowing what the consequences from this law would be, we chose to restrain the program's growth.

On October 29, our regulator proposed a new set of rules for these housing goals. The proposal requires 20 percent of the mortgages we purchase to be for low- and very-low income households or for properties in low- and very-low income areas, and that half the mortgages we purchase come from entities that meet the asset test for Community Financial Institutions. The proposal also allows individual FHLBs to negotiate different limits. Overall, we regard this as a reasonable proposal, and will submit a comment letter in response.

What both developments have in common is that they provide a clearer path forward, so we can structure AHP and MPP to better serve our members and their communities. As always, we appreciate your business and the strong cooperative partnership you allow us to provide as your Federal Home Loan Bank of Cincinnati.

Sincerely,



Andrew S. Howell, *President and CEO*

Director Election Results Announced

FHLB members elected five Directors in the 2018 Board of Directors election. In this election, one Ohio Member Director, two Tennessee Member Directors, and two at-large Independent Directors were elected to the Board. All five will serve four-year terms that commenced January 1, 2019.

Newly elected in Ohio is Member Director **Michael P. Pell**, President and CEO, First State Bank, Winchester.

Reelected in Tennessee are Member Directors **James A. England**, Chairman, Decatur County Bank, Decaturville; and **William S. Stuard**, Chairman, President and CEO, F&M Bank, Clarksville.

Newly elected as Independent Director is **April Miller Boise**, Senior Vice President, Chief Legal Officer and Corporate Secretary, Meritor Inc., resident of Cincinnati, Ohio. Reelected as Independent Director is **Nancy E. Uridil**, Director, Flexsteel Industries, resident of Avon Lake, Ohio.

The Board also elected **Dr. Donald J. Mullineaux** to serve as Chair of the Board. Dr. Mullineaux is Emeritus DuPont Endowed Chair in Banking and Financial Services, University of Kentucky, Lexington. He has served on the Board since 2010. His third two-year term as Chair commenced January 1.



April Miller Boise



James A. England



Michael P. Pell



William S. Stuard



Nancy E. Uridil

FHLB Welcomes New Members

The FHLB welcomed the following new member stockholders in the fourth quarter of 2018:

- Daviess County Teachers Federal Credit Union, Owensboro, Ky.
- Studio Bank, Nashville, Tenn.
- Pathway Lending, Nashville, Tenn.
- CareSource Indiana Inc., Dayton, Ohio
- NewRez Community Lending LLC, Westlake, Ohio



Board Approves \$3.6 million for Disaster Reconstruction Program



DRP has helped to repair and replace homes like this in Moscow, Ohio which suffered tornado damage.

FHLB Cincinnati's Disaster Reconstruction Program has been replenished with an added \$3.6 million, bringing the fund to \$5 million. The new funding was approved by the FHLB's Board of Directors in December 2018.

The original \$5 million voluntary fund was created in March 2012, following a series of tornadoes that

devastated communities in Kentucky, Ohio and Tennessee. Through the fund, households affected by federally or state-declared natural disasters are eligible to receive grants of up to \$20,000 to help repair or replace their primary homes. The fund has been used to help those affected by tornadoes, floods and other natural disasters. Since inception, \$3.6 million has been disbursed to help 220 households recover.

Given the success of this voluntary program, the Board approved an additional \$3.6 million to continue the program. When combined with the existing \$1.4 million still available under the original authorization, the total disaster funds available for immediate use are now \$5 million.

To learn more about DRP, visit our website (www.fhlbcin.com) or contact Damon v. Allen, Senior Vice President and Community Investment Officer, toll free at 888-345-2246.

New SOFR Advance Prepares for End of LIBOR

FHLB Cincinnati has introduced a new type of Advance, anticipating a de-emphasis of Advances based on the London Interbank Offered Rate (LIBOR) as the financial industry transitions away from LIBOR. The new Advance is based on the Secured Overnight Financing Rate (SOFR), a LIBOR alternative supported by the Federal Reserve and other regulatory bodies.

SOFR is a broad measure of the cost for institutions to borrow cash overnight, secured by Treasury securities. SOFR is calculated using trades in the Broad General Collateral Rate market with average volume above \$750 billion per day.

The FHLBanks recognize that they have a unique responsibility as the leading issuer of LIBOR-linked securities to support the development of a LIBOR replacement. "We believe the System's commitment to an effective market transition to SOFR will strengthen the FHLBanks' execution of their mission to provide reliable liquidity to members for housing finance and community investment," said Andrew S. Howell, President and CEO of FHLB Cincinnati.

To learn more about the SOFR Advance, contact the Credit Department at 800-828-4191 or email CreditOperations@fhlbcin.com.

FHLB Cincinnati Promotes Eight Officers

Eight officers were approved for promotion by the Board of Directors. Congratulations to the following officers, whose promotions were effective January 1, 2019:

- **Brian D. Comp**, First Vice President, Assistant Chief Information Officer (from Vice President, Assistant Chief Information Officer)
- **Dawn E. Grace**, Vice President, Housing & Community Investment (from Assistant Vice President, Housing & Community Investment)
- **Kevin T. Hanrahan**, Assistant Vice President, Relationship Manager (from Marketing Officer)
- **Pavan V. Parikh**, Assistant Vice President, Government Relations & Legislative Counsel (from Government Relations Officer & Legislative Counsel)
- **Allyson M. Khayo**, Diversity and Talent Management Officer (from Human Resources Manager, Diversity and Talent Management)
- **Chuck E. Pitz**, Technical Services Officer (from Technical Services Sr. Manager)
- **Sharon R. E. Sanders**, Credit Services Officer (from Sr. Credit Services Operational Lead)
- **Tyler J. Walker**, Mortgage Purchase Program Operations Officer (from Mortgage Purchase Program Manager)

Affordable Housing Program Awards Announced

The latest round of Affordable Housing Program (AHP) grants was approved by the FHLB's Board of Directors at its November 2018 meeting. A total of 40 members will receive more than \$29.3 million in AHP subsidy to help produce 2,309 units of affordable housing for moderate-, low- and very low-income residents. A full list of award recipients is available on our website www.fhlbcin.com.

The 2019 AHP application will open July 1, 2019 with a deadline of August 8, 2019.

Dividend Declaration and Payment

At its December 20, 2018, meeting, the FHLB's Board of Directors declared a dividend for the third quarter 2018 at a 6.00 percent annualized rate. The dividend payment occurred December 20 in the form of cash.

Calendar

February 18	Presidents Day; FHLB closed	April 29	Regional Stockholder Meeting, Cincinnati, Ohio
March 1	Welcome Home Program: application process opens	May 6	Regional Stockholder Meeting, Louisville, Ky.
April 24	Regional Stockholder Meeting, Nashville, Tenn.	May 14	Regional Stockholder Meeting, Akron, Ohio

Please keep in mind the Community Investment Cash Advance (CICA) program, Zero Interest Fund (ZIF), and the Disaster Reconstruction Program (DRP) are open year round.