



FEDERAL HOME LOAN BANK OF INDIANAPOLIS

Building Partnerships. Serving Communities.

**COMMUNITY INVESTMENT CASH ADVANCE (CICA)
2010 COMMUNITY LENDING PLAN**

Board approved on January 21, 2010

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1: Background

The CICA regulation requires each FHLBank to develop a Community Lending Plan. This plan is to be approved by the FHLBank's board of directors and requires each FHLBank to

1. conduct market research in its district,
2. describe how it will address the identified credit needs and market opportunities,
3. consult with its Advisory Council, members, nonmember borrowers, and public and private economic development organizations in its district, and
4. establish quantitative community lending performance goals.

The CICA regulation defines "community lending" as "providing financing for economic development projects or activities for targeted beneficiaries." The FHLBI's 2010 Strategic Plan, the 2010 Affordable Housing Program Implementation Plan, and this plan will provide a comprehensive approach to serving our members using all of the FHLBI's products and services. This approach is highlighted in our mission as follows.

Mission

The FHLBI helps families afford housing by partnering with member financial institutions located in Indiana and Michigan to meet their funding needs for both residential mortgage loans and loans to support the economic growth of their communities. The FHLBI also provides grants for building and rehabilitating low-income housing. The FHLBI expects to deliver a market return on the equity investment by its member/owner institutions.

Strategic Objectives

Be the leading provider of wholesale funds for member institutions.

Provide an attractive secondary market outlet for members wishing to sell mortgage loans.

Deliver funding solutions designed to specifically assist low- to moderate-income families obtain decent, safe, and affordable housing and to promote economic growth of local communities.

Provide a return on the equity investment of our membership that reflects the FHLBI's risk profile and makes ownership of FHLBI stock a desirable investment alternative.

2: Market Needs Assessment

In 2005 the FHLBI conducted a district-wide member survey. One hundred fifty institutions responded to questions covering a wide range of eight FHLBI department/product categories including Credit (Advances), Cash Management, Member Link, and Community Investment. The survey indicated a general lack of knowledge exists within the district regarding community investment programs and services. The Community Investment staff continues to focus on one-on-one member meetings to increase knowledge of FHLBI's programs within our customer base.

In 2008, the Community Investment staff significantly increased its training and outreach efforts. In collaboration with the Marketing staff, Community Investment participated in five regional member meetings throughout the district, featuring member institutions and successful AHP project sponsors and describing CID resources at each of these well-attended meetings. At these regional member meetings, members were requested to complete a Community Lending Survey, identifying the most critical lending needs in their market area. Fifty-five members (35 Michigan and 20 Indiana members) responded to this survey, identifying job creation/retention and small business creation/expansion as the most critical areas. This reinforces the need for outreach and information sharing regarding the Community Investment Program (CIP). Low-

and moderate-income mortgages are the next critical area, with the need for homeownership counseling and financial literacy also rated as critical. Over a third of respondents also rated downtown development as critical.

In 2010 the Community Investment staff has increased its collaboration with the Marketing Department, developing a strategic plan to broaden the impact of both AHP and CIP by increasing the number of new participants through focused outreach and training workshops, in addition to responding to members' needs and using joint venues to reach out to members and promote FHLBI products and resources. We plan to continue communicating with the Affordable Housing Advisory Council to determine the housing needs in our district and to survey members to assess district market needs.

3: Affordable Housing Program (AHP)

Staff conducted its annual survey of members and sponsors to obtain input into the AHP scoring and the "homeownership initiatives" or set-aside programs, using an on-line survey mechanism. This proved to be a very useful and well-received process, more than doubling the response rate from 2009. A total of 84 surveys were completed and tabulated. The response split between states was equal and 33 FHLBI members and 41 non-profit sponsors were the main respondents. The feedback is useful to staff and the Implementation Plan Subcommittee on scoring factors and set-aside limits, as well as application format changes, training methods and 2010 outreach. The feedback on the optional scoring factors reinforces the current scoring priority related to special needs. The definition of homeless will be adjusted to correspond with HUD's definition as developed as a result of the HEARTH Act, as recommended by survey respondents and the Affordable Housing Advisory Council. The Second District priorities were also supported by the survey results, with 78% recommending no change.

Similarly there is satisfaction reported with the current Homeownership Opportunities Program (HOP) and other set-aside limits and the amount allowed for homeownership counseling in HOP. Feedback was received regarding the turn-around time for processing set-aside requests, which was impacted by the large increase in requests resulting from the federal homebuyer tax credit and original deadlines. The survey results indicated satisfaction with both the "face-to-face" trainings offered in 2009 and the Webinars. This information was used to plan 2010 outreach and training efforts.

This survey provided valuable input to the Implementation Plan Subcommittee, which has met by conference call or in person monthly since July 2009 as it evaluated 2009 AHP results and considered changes for the 2010 Implementation Plan. In addition, Andy Mitchell of Martin-Riley Architects, a green consultant, was invited to the May 21, 2009 AHAC/AHC Joint meeting to present feedback on FHLBI's green plan requirements and recommend achievable improvements. This firm has also reviewed the draft 2010 Implementation Plan changes in this regard.

Staff has also participated in training events in Indiana and Michigan related to the implementation of the Neighborhood Stabilization Program funding offered by the Indiana Housing and Community Development Authority (IHCDA) and the Michigan State Housing Development Authority (MSHDA) and has participated in focus groups and hearings for each state's Qualified Allocation Plans for Low Income Housing Tax Credits in order to assist in assuring compatibility and coordination of resources to respond to affordable housing needs in the district.

Based on previous regulatory authority, FHLBI has entered into monitoring compliance arrangements with the IHCDA and the MSHDA regarding compliance reviews on AHP projects utilizing low-income housing tax credits. This change will greatly improve the efficiency of the monitoring process.

4: Marketing, Outreach and Community Support

Staff has worked to coordinate meetings that include other community economic development partners such as state housing finance agencies, state community development trade organizations and the USDA, at the request of our member institutions.

In 2009, the Community Investment staff provided outreach to numerous member financial institutions and sponsor organizations. Staff participated on several task force groups or councils and served as panelists for training sponsored by the state housing finance authorities, Federal Reserve Bank, and statewide housing conferences. Webinar training sessions were held during each competitive AHP funding round and throughout the year for the AHP Homeownership Initiative Programs. A Webinar specifically targeted to Habitat for Humanity affiliates was offered in 2009 explaining both AHP and Homeownership Initiatives. Outreach and training in both states were also offered in conjunction with the state finance agencies about FHLBI's new Neighborhood Stabilization Assistance, which links with the federal Neighborhood Stabilization Program that became available in 2009. In July, staff conducted two workshops on community investment products, one in Okemos, MI and one in Indianapolis, IN, each attended by approximately 60 people. The afternoon session provided one-on-one consultations for members/sponsors who intend to apply for an upcoming AHP round. Community Investment staff also exhibited and distributed program information at Indiana and Michigan banking and credit union conferences, and presented at community development, community action, Habitat, and rural conferences.

The 2010 outreach and training calendar anticipates a repeat of the successful full-day training in Indiana and several regional meetings are planned in Michigan for members and sponsors to present Community Investment offerings. We will also coordinate and present at two Mortgage Purchase Program trainings, if offered. In addition, we will present program information at the state affordable housing conferences in our district as well as at conferences sponsored by CRA associations, Credit Union Leagues, Community Action Agencies and various other organizations involved in housing and community economic development and community lending. We also offer a series of Webinars regarding CICA lending and AHP, including the homeownership initiatives. Working with marketing and other bank staff, opportunities for affordable housing and community investment for our members are continually identified.

5: Homeownership Initiatives Programs (set-aside programs)

The FHLBI will continue contributing the maximum 35% allowable for 2010. FHLBI will make the set-aside funding available as *Express* (first come, first served) in two rounds (spring and fall), without allocation to specific uses to allow maximum flexibility for our member institutions to utilize funding based on district needs.

In 2009, FHLBI introduced a new set-aside program, the Refinance Assistance Program (RAP) to implement the October 17, 2008 FHFA interim final rule authorizing the use of set-asides to assist low- and moderate-income homeowners receiving an FHA HOPE for Homeowners loan. In November 2009, the board of directors approved a revised AHP Implementation Plan to implement the interim final rule published August 4, 2009, which provides that loans are eligible for refinancing with AHP subsidy if they are refinanced under an "eligible targeted refinancing program." Eligible targeted refinancing programs are programs offered by HUD, USDA, Fannie Mae, Freddie Mac, a state or local government or a state or local housing finance agency. FHLBI will continue to review and utilize this new authority, based on needs of our members and district, until the sunset date of July 30, 2010. The FHFA may reconsider an extension of the sunset date based on program performance as the sunset date approaches.

An additional set-aside offering was also introduced in 2009 in response to the HERA-funded Neighborhood Stabilization Program (NSP). NSP provides emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities. The Neighborhood Stabilization Program (NSP) provides grants to every state and certain local communities to purchase foreclosed or abandoned homes and to rehabilitate, resell, or redevelop these homes in order to stabilize neighborhoods and stem the decline of house values of neighboring homes. Discussions with both Indiana and Michigan officials developing NSP

implementation plans have taken place regarding the usefulness of an AHP set-aside linked to NSP-assisted housing to assist in the marketing and leveraging of this federal resource. This additional set-aside called Neighborhood Stabilization Assistance (NSA) was offered in 2009. NSP funds are being released slowly so the FHLBI received a minimal number of disbursement requests for NSA during 2009. FHLBI will continue to review and utilize this new initiative, based on needs of our members and district, and will continue offering NSA funds in 2010.

6: 2009 Goals and Accomplishments

Goals	Accomplishments
<p>Achieve a target of \$50 - \$100 million new originations in CIP advances.</p>	<p>2009 CIP originations totaled \$68.0 million.</p>
<p>Increase CFI lending (advances) and letters of credit by 5%. Letters of credit will be available to credit enhance bond issues for residential housing finance and taxable community economic development projects, and to facilitate member asset/liability management and liquidity.</p>	<p>CFI advances decreased \$2.4 billion or 44.2% in 2009. CIP letters of credit issued to CFIs increased \$1.3 million or 6.1%.</p>
<p>Continue outreach and training to further develop participants in affordable housing and community investment programs. Partner with members, housing associates, member trade organizations, and economic development organizations to develop affordable housing and community development opportunities.</p> <ul style="list-style-type: none"> ○ Contact 100% of member institutions with program outreach materials. ○ Increase attendance at training events by 10% including attracting representatives of 10 institutions not currently participating in set-aside programs. ○ Achieve a target of 5 new AHP member participants with 3 applications in competitive scoring range. ○ Achieve a target of 3 new set-aside member participants. 	<ul style="list-style-type: none"> ● All members contacted through eleven Community Investment Bulletins, the Community Investment Annual Report, and the Indepth bi-annual magazine, which regularly features successful AHP projects. ● Attendance increased at face-to-face workshops in Michigan by over 300%. Indiana workshop attendance increased by over 250%. 12 institutions not currently participating in set-aside programs registered and participated in the mandatory webinar training. ● AHP applications were received from 10 members that had not submitted an application in at least 5 years. Seven of these applications were awarded, four to members who applied in 2009 for the first time. ● Three members became new set-aside participants.

Evaluate and determine need for extension of HomeRetain.	Based on declining program usage and the ongoing ability to allow refinancing and modification lending through a standard CIP advance, HomeRetain was not extended.
<p>Promote the use of set-aside programs to address foreclosure issues.</p> <ul style="list-style-type: none"> ○ Award 100% of set-aside funds in program year 2009, including 10% in projects that address foreclosure prevention and 10% in projects that address neighborhood stabilization. 	<p>The 10% goal for refinance assistance was not achieved, because of its linkage to FHA's Hope for Homeowners program. 100% of set-aside funds were utilized by November 19, 2009, prior to the Board's approval to amend the Implementation Plan to incorporate the interim final rule changes regarding refinancing. The Neighborhood Stabilization Program funding in both states has been slow to be disbursed. Five households were assisted under the Neighborhood Stabilization Assistance set-aside, representing 0.6% of total set-aside funding.</p>

7: 2010 Goals

Goals for 2010 are as follows.

- Broaden the impact of both AHP and CIP by increasing the number of new participants through focused outreach and training workshops. Partner with members, housing associates, member trade organizations, and economic development organizations to create affordable housing and community development opportunities.
 - Contact 100% of member institutions with program outreach materials.
 - Increase attendance at training events by 10%.
 - Achieve a target of 4 new AHP member participants.
 - Achieve a target of 4 new set-aside member participants.
- Achieve a target of at least \$50 million of new originations in CIP advances.
- Support multifamily housing, small business, small farm, or small agri-business lending by increasing the Bank products used by community financial institutions (CFI) 5% annually. Letters of credit will be available to credit enhance bond issues for residential housing finance and either tax-exempt or taxable community economic development projects and to facilitate member asset/liability management and liquidity.