



FEDERAL HOME LOAN BANK OF INDIANAPOLIS

Building Partnerships. Serving Communities.

**COMMUNITY INVESTMENT CASH ADVANCE (CICA)
2011 COMMUNITY LENDING PLAN**

Board approved on January 20, 2011

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1: Background

The CICA regulation requires each FHLBank to develop a Community Lending Plan. This plan is 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 2011 Strategic Plan, the 2011 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.

Starting in 2008, the Community Investment staff significantly increased its training and outreach efforts. In 2008 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 annual surveying of members and community partners has continued in 2010 and was done using an on-line survey tool, which has significantly increased the response rate. A total of 118 responses were received, 48 from IN and 74 from MI. 48% of the respondents were non-profit community partners. Responses were fairly well distributed throughout all regions of FHLBI's district. By far the highest need identified was lending for job creation or retention (82% of respondents rated it high or critical). The CIP advance is the only CID resource available for this purpose and a common response to the CIP usage question indicated members often have sufficient liquidity and do not need to use CIP advances. This has been evidenced by the low usage of CIP in 2010, other than for letters of credit. Financing for existing affordable housing was the second highest need identified with 56% of respondents rating it as high/critical and 35% as a moderate need. Down payment and closing cost assistance was a close third critical need, as rated by 55% of respondents, followed by foreclosure assistance at 50% and existing homeowner improvements by 43% of respondents.

In 2010 the Community Investment staff 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 member 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. This collaboration will continue in 2011 focusing on areas of the district with high needs and limited member participation in Community Investment programs. We plan to continue working with the Affordable Housing Advisory Council to determine the housing needs in our district and to continue to survey members and community partners 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, continuing to use an on-line survey mechanism. This has proved to be a very useful and well-received process. A total of 69 surveys were completed and tabulated. The response split between states was 46% from Indiana and 54% from Michigan. Forty FHLBI members and 26 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 2011 outreach. The feedback on the optional scoring factors reinforces the current scoring priority related to special needs, with it receiving the top ranking from 44% of the respondents. Community Development was the second highest ranking with 24% of the respondents. The Second District priorities of project size and characteristics and quality of life were also supported by the survey results, with 82% recommending no change, and foreclosure and distressed populations mentioned as possible factors to consider. Feedback was also sought on the prospect of a single competitive round for AHP funding, rather than two rounds. The response was fairly even, with 39% supporting a single round and 44% advocating the continuation of two application rounds. If only one round is offered, 57% of respondents supported the earliest in the year possible to take advantage of construction season.

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 deadlines. The survey results indicated satisfaction with both the "face-to-face" trainings offered in 2010 and the Webinars. This information will be used to plan 2011 outreach and training efforts.

This survey provided valuable input to the Implementation Plan Subcommittee, which met by conference call or in person monthly since July 2010 as it evaluated 2010A AHP results and considered changes for the 2011 Implementation Plan.

In addition, both Michigan and Indiana have statewide taskforces working on the foreclosure crisis, so the leaders of these organizations were invited to the May 20, 2010 AHAC/AHC Joint meeting. Stephanie Reeve, Indiana Foreclosure Prevention Network Manager, and Steve Tobocman, Michigan Foreclosure Task Force Co-Director, presented the status of their efforts to address foreclosures and the impact of foreclosures on families and communities in the district. Each state's task force is a coalition of community services and housing-related organizations, government agencies, lenders, realtors, and trade associations. Both states are using helplines and websites to respond to consumers needing foreclosure

assistance. Considerable data and statistics for each state were shared as well as federal and state responses, which ranged from a major increase in funding for foreclosure counseling and the training of additional counselors, passage of consumer protection laws, a state fee on foreclosure filings to fund counselors in Indiana, coordination with the Michigan Attorney General to reduce the amount of foreclosure scams, the federal Neighborhood Stabilization Program funding for both states, and the latest federal funding for Michigan from the "Hardest Hit States" fund. Michigan's plan has been approved by the US Treasury and is being implemented. Indiana used a statewide Phone-A-Thon and a series of highly promoted foreclosure prevention events statewide in National Guard Armories to reach as many households as possible. Indiana is also launching HOPE LoanPort which is a Web portal to allow housing counselors to submit completed HAMP applications for at-risk borrowers. This service will be free to all Network counselors, with IHCD providing the technology. The Refinance Assistance Program, a Homeownership Initiative set-aside offering for which regulatory authorization expired in 2010, was not utilized in the district and is being eliminated for 2011.

Staff 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, and AHAC members Jacob Sipe and Sally Harrison were present at the initial meeting of the 2011 Implementation Plan Subcommittee to provide perspective and information on the identified housing needs in each state and their respective housing finance agencies' future strategies in Indiana and Michigan. Based on previous regulatory authority, FHLBI has entered into monitoring compliance arrangements with the IHCD and the MSHDA regarding compliance reviews on AHP projects utilizing low-income housing tax credits. This change has greatly improved the efficiency of the monitoring process, although the number of AHP projects using these credits represents approximately 30% of the total AHP portfolio.

4: Marketing, Outreach and Community Support

Community Investment staff continue to coordinate meetings to 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. Disparity in AHP funding requests and awards in the competitive rounds between Indiana and Michigan, as well as the goals of maintaining strong Homeownership Initiative utilization in Michigan and increased utilization of CIP, was the focus of a concerted and coordinated outreach effort by the Community Investment and Marketing Departments in 2010. This effort was in addition to CID's already considerable technical assistance and outreach plans and was initiated to mitigate the impact of the departure of an active regional member from Michigan.

This effort focused on three key initiatives:

- Sponsor and application preparedness
- Increased member and sponsor outreach
- Matching of sponsors/projects with members

A new bulletin in December 2009 signaled the anticipated 2010 AHP rounds, advising all sponsors to start early in the process of identifying member partners and the reduced AHP award cap. This was particularly relevant to Michigan sponsors that were losing a previously active member and have less of a track record of working with community bankers and credit unions than Indiana sponsors. Community Investment staff fielded numerous calls from Michigan sponsors seeking potential member partners and coordinated with Marketing staff to identify and provide member contacts. Southeastern Michigan and Detroit in particular continue to be underserved.

With the assistance of the Marketing Department, several potential AHP projects were matched up with members, and CIP and set-aside contacts were developed. First National Bank of Michigan in Kalamazoo, as a first-time user of AHP, submitted two applications. Byron Bank and Mason State Bank were also first-time AHP applicants in the 2010A round.

In early March 2010, four regional educational and networking sessions were offered to Michigan members and potential sponsors, which were attended by 41 members and 86 non-profit and community organizations in Traverse City, Grand Rapids, East Lansing, and Troy. The feedback from these sessions was very favorable, with 36 survey responses representing 21 non-profits, 10 community financial institutions, and 5 others. In general, the sessions were well received with an expressed interest in more networking and training opportunities. Community Investment staff also participated with MSHDA and USDA's Rural Development in two outreach events in April in Traverse City and Escanaba. The primary audience was non-profit and community housing agencies, communicating Community Investment programs to an additional 34 potential community partners (21 in Michigan's Upper Peninsula).

In addition to this concerted Michigan effort, in 2010 the Community Investment staff provided outreach to all member financial institutions and to partner organizations in Michigan and Indiana through its extensive mailing list and each state's non-profit housing and economic development trade organizations. Staff continue to participate on several task force groups or councils and served as panelists for training sponsored by the state housing finance authorities, the Corporation for Supportive Housing, and statewide housing and community and economic development conferences. Webinar training sessions were held during each competitive AHP funding round and through mid-year for the Homeownership Initiative Programs. In July, staff conducted two workshops called Back to Basics, describing community investment products, one in Okemos, MI attended by approximately 40 people and one in Indianapolis, IN, attended by approximately 25 people. 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, county treasurers, tax credit syndicator, and rural development conferences.

The 2011 outreach and training calendar anticipates a repeat of the successful regional outreach efforts with Marketing staff, which will be conducted in both Indiana and Michigan. Full-day in-depth trainings in Indiana and Michigan will also be planned later in 2011 in preparation for the 2012 program year. 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 will 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 2011. 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.

Several changes to the HOP and NIP subsidy and match are being proposed for 2011, which will require retraining of all interested member participants. The NSA subsidy offering will continue in 2011, as federal Neighborhood Stabilization funding will continue to be used in the district in 2011 and greater utilization was demonstrated in 2010. The Refinance Assistance Program has been terminated because of the lapse of regulatory authority.

6: 2010 Goals and Accomplishments

Goals	Accomplishments
<p>Achieve a target of \$50 million new originations in CIP advances.</p>	<p>2010 CIP originations totaled \$119.4 million. Advances totaled \$23.4 million and letters of credit including interest totaled almost \$96 million.</p>
<p>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.</p>	<p>CFI advances decreased \$235.2 million or 7.8% in 2010. CIP letters of credit issued to CFIs decreased \$13.8 million or 60%.</p>
<p>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 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%. ○ Achieve a target of 4 new AHP member participants. ○ Achieve a target of 4 new set-aside member participants. 	<ul style="list-style-type: none"> ● All members contacted through 11 Community Investment Bulletins, the Community Investment Annual Report, and the <i>FHLBI InDepth</i> bi-annual magazine, which regularly features successful AHP projects. ● Attendance increased at face-to-face workshops in the district by over 70%, primarily due to the addition of educational and networking sessions offered to Michigan participants in early March. ● AHP applications were received from 7 members that had not submitted an application in at least 5 years. Seven of these applications were awarded, 5 to members that applied in 2010 for the first time. ● Four members became new set-aside participants and three participants expanded their set-aside usage to NIP.

7: 2011 Goals

Goals for 2011 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.
- Originate at least \$50 million of Community Investment Program (CIP) credit products.
- 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 taxable community economic development projects and to facilitate member asset/liability management and liquidity.