



Multiplying Your Community Investment

2019 Community Lending Plan



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1: Background

The CICA Regulation, 12 C.F.R. Part 1292, 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, non-member 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 Federal Home Loan Bank of Indianapolis ("FHLBank Indianapolis") 2019-2021 Strategic Plan, the 2019 Affordable Housing Program Implementation Plan, and this plan will provide a comprehensive approach to serving our members using all of the FHLBank Indianapolis's products and services.

On March 14, 2018, the Federal Housing Finance Agency ("Finance Agency") published a proposed rule of affordable housing program amendments ("Proposed Rule"). The Proposed Rule would amend the Community Support Requirements to require an annual Targeted Community Lending Plan that, in addition to the four requirements listed above, would also describe how the FHLBank would address identified significant affordable housing needs in its district through its Affordable Housing Program ("AHP"). The FHLBanks have commented on the Proposed Rule and the Finance Agency anticipates publishing a final rule in mid-November 2018.

The Strategic Plan focuses on four strategies for progress that are designed to deliver results while carefully balancing our risk appetite: promoting advances, managing capital, growing MPP solutions, and promoting communities. This approach is highlighted in our mission as follows.

Mission

Our core mission is to provide a reliable source of liquidity to member banks, credit unions, community development financial institutions, and insurance companies to support housing finance, asset-liability management, and community lending. We also help communities and families through grants and low-cost loans to our members that help support affordable housing and economic development initiatives.

Strategic Objectives

Promote Advances: Provide members with a reliable and competitive source of funding for housing finance, community lending, asset-liability management, and liquidity.

Grow MPP Solutions: Provide an attractive and efficient secondary market outlet for members to sell their mortgage loans.

Manage Capital: Create value for members by simultaneously meeting their funding needs, providing an attractive return on their stock investment, and prudently managing our financial risk profile.

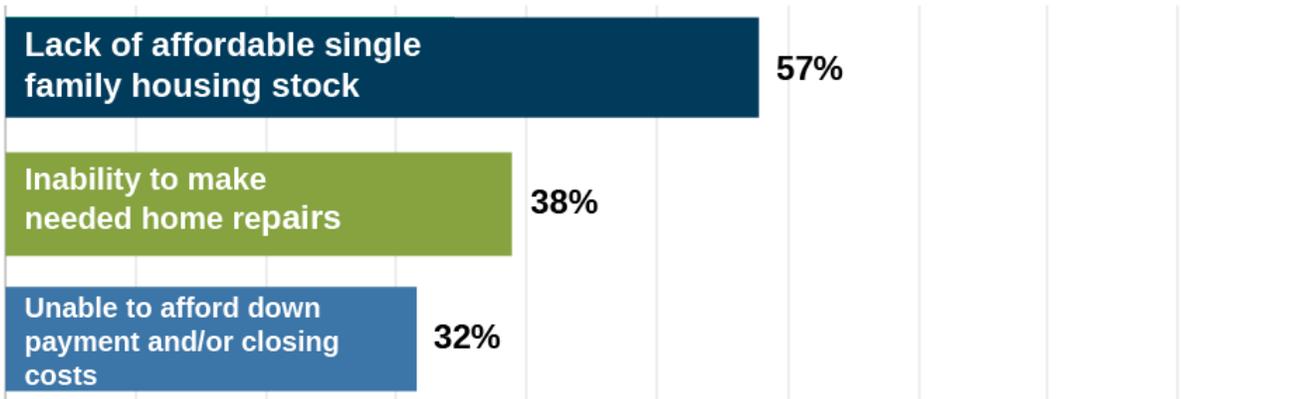
Promote Communities: Provide funding to assist low- to moderate-income families obtain affordable housing and to support economic growth and employment within local communities.

2: Market Needs Assessment

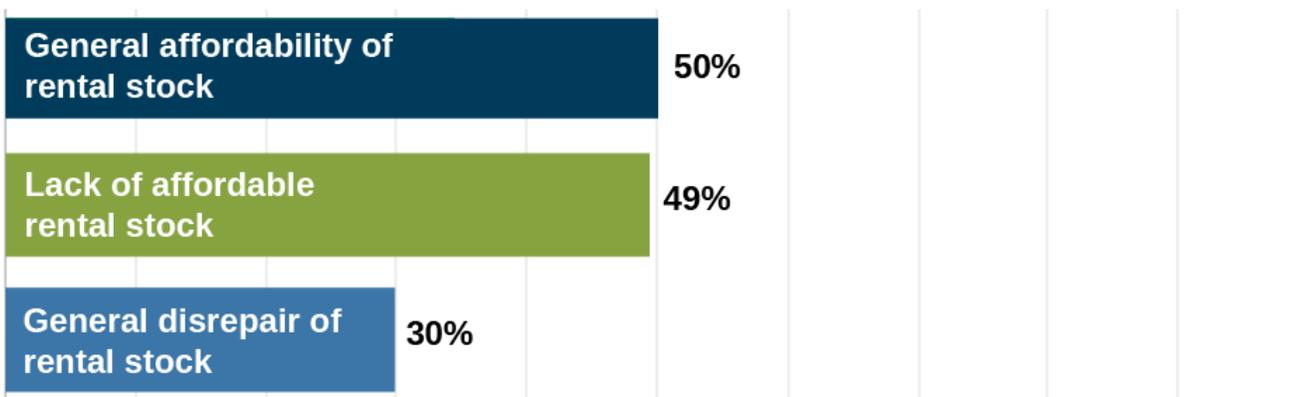
In planning for the 2019 Community Lending Plan, FHLBank Indianapolis contracted with the Indiana Association for Community Economic Development d/b/a Prosperity Indiana (“Prosperity Indiana”) and the Community Economic Development Association of Michigan (“CEDAM”) to survey members and community partners. The survey was distributed to FHLBank Indianapolis members and partners, Prosperity Indiana contacts, and CEDAM contacts. In 2018, there were 232 survey respondents compared to 349 respondents in the 2017 survey. Of the responses, about 16% percent were FHLBank Indianapolis members. Responders were asked to identify the area of operation of their organization. The majority of member respondents serve a multi-county area in their region. Of the nonmember responses, nearly 54 percent serve a multi-county area, while 46 percent serve a single county.

Survey participants were asked to list the homeowner/potential homeowner, renter/potential renter and non-housing community economic development needs for their customer base or community.

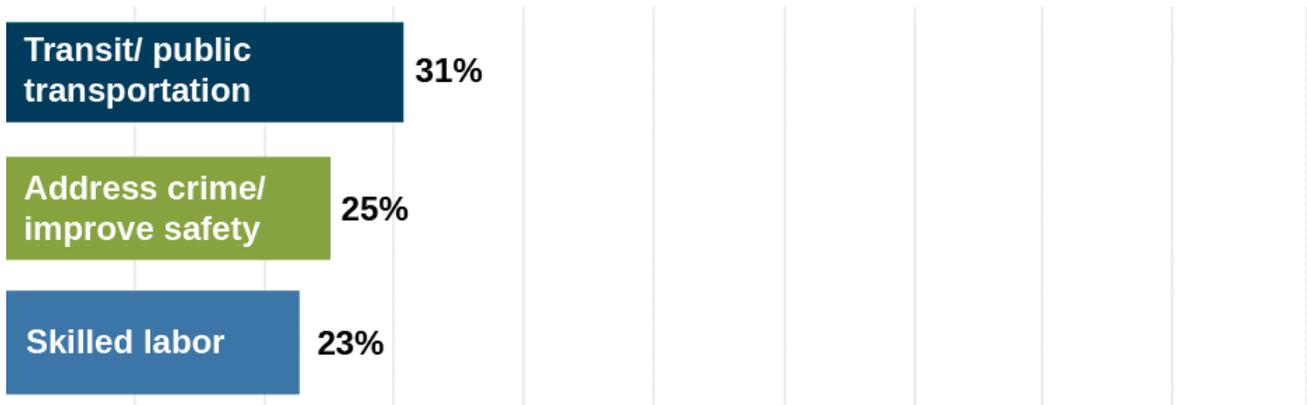
The top needs for homeowners/potential homeowners are:



The top needs for renters/potential renters are:



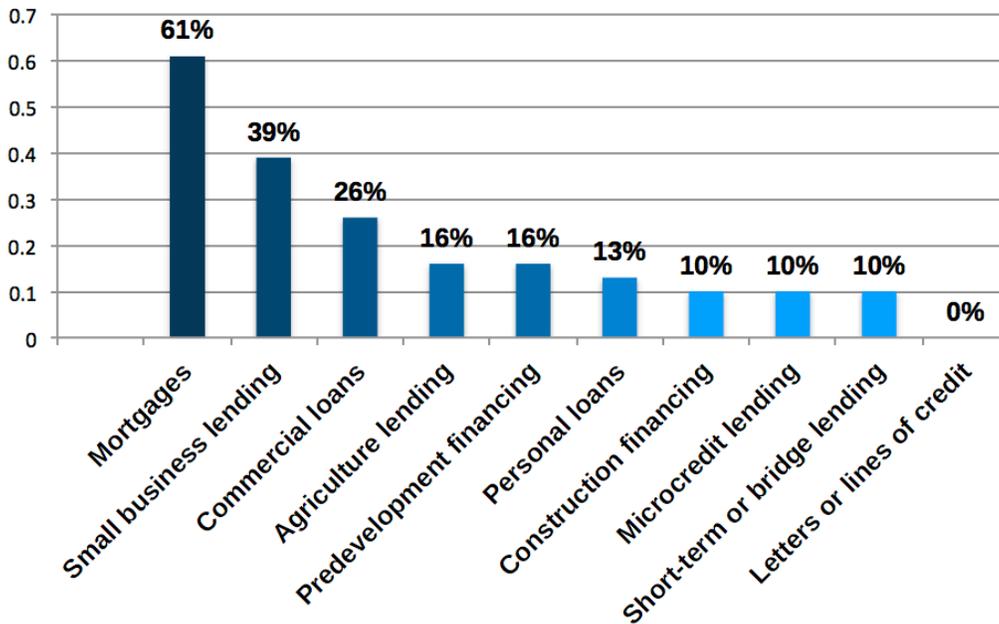
The top non-housing needs are:



There were 162 survey responses from Indiana and 70 responses from Michigan. In terms of challenges/needs for homeowners/potential homeowners, there is parity between Indiana and Michigan communities in the lack of affordable housing stock (57% in Indiana and 52% in Michigan). The inability to complete needed repairs was the second issue in Indiana (40%) and in Michigan (39%). There was also parity between Indiana and Michigan communities in terms of challenges facing renters/potential renters, with the top issue in both states identified as the availability of rental stock (51% in Indiana and 54% in Michigan). Transit/public transportation issues were the top non-housing community economic development issues in Indiana. Neighborhood level economic development, i.e. placemaking was the top non-housing issue in Michigan.

FHLBank Indianapolis members were asked to identify their greatest community lending needs, identifying mortgages and small business lending as their top needs. These responses are a shift from the 2017 responses when agriculture lending and construction financing were noted as top needs.

Community Lending Needs:



The survey attempted to measure respondents' familiarity with Community Investment programs. Nearly 41 percent of member survey participants were "only a little familiar" with the AHP, and another 25 percent were "very familiar" with the program. Nearly 66 percent of survey respondents had not applied for an AHP grant in the past five years. The greatest response for "why not?" was "not enough staff/resources" (29%). These results indicate continued need for the Community Lending Plan goals of communicating the existence and value of the programs to FHLBank Indianapolis members and sponsor organizations and training on how to access the funds.

The survey responses also provided valuable feedback through open-ended questions, requesting examples of successful recent community economic development projects. The majority of the successful examples involved partnerships with multiple stakeholders and layered funding sources. This feedback supports the competitive AHP scoring categories that encourage leveraging AHP subsidy. The majority of successful development projects that did not involve housing supported small business development and job creation in communities. This feedback supports the need for Elevate, our small business grant program. Areas where survey respondents' projects had the most challenges were definitively related to funding. Respondents also mentioned issues with community support and "not-in-my-back-yard" issues. Looking forward five years, respondents expect increased need for housing at all levels –for workforce housing, senior housing, permanent supportive housing, mixed income housing and mixed use development. Housing prices are growing while the acceptable stock is declining. This feedback supports our attempts to make the competitive AHP an option for a wide variety of housing needs. New feedback for 2018 included the challenges of addiction issues and the need for healthy communities to support residents in affordable housing.

Based on identified market needs, Prosperity Indiana and CEDAM suggest that FHLBank Indianapolis consider:

- A marketing strategy for connecting organizations with FHLBI products, with a special focus on non-members who can partner with current FHLBI members to take advantage of AHP products. A majority of respondents indicated that the FHLBI products would be useful to their organization, but lacked awareness. Partnerships with community economic development associations like Prosperity Indiana and CEDAM can help to broaden the audience.
- Evaluating the requirements, application process, and timelines of current products. Many qualifying respondents have not used FHLBI products due to lack of staff and resources to apply and implement. Streamlining the processes, providing assistance and resources for applying, and adjusting timelines and restrictions could make products more accessible to organizations.
- Seeking ways to make additional funding available for supplemental supportive services such as drug addiction treatment and financial literacy coaching. Many respondents anticipate that there will be an increased need for supplemental services in the coming years.

The Affordable Housing Advisory Council (AHAC) and Affordable Housing Committee (AHC) also provide valuable input throughout the year on our district's housing and lending needs. We will continue to use their input and will survey members and community partners following outreach and training events and as part of the planning for the 2020 Implementation Plan and Community Lending Plan.

3: Marketing, Outreach and Training

In 2018, the Community Investment Department ("CID") staff continued its collaboration with the Marketing Department to broaden the impact of all CID programs, including CIP advances. We responded to members' needs using joint venues and training workshops throughout the district to promote FHLBank Indianapolis products and resources. Through these and other outreach efforts, we have continued to increase the number of new member participants. As of 9/30/18, CIP advances exceeded the year's goal. Collaboration with Marketing will continue in 2019 with additional efforts to implement a Community Investment Outreach Plan.

Six training sessions were offered in March 2018 divided equally between Indiana and Michigan. In addition to providing overview information about the AHP, the Homeownership Initiatives and CIP, the workshops introduced the Elevate small business grant program.

The member training for Homeownership Initiatives was delivered via webinar posted to our public website. Only members who have never utilized the programs or have not received a disbursement in the prior two years are required to participate in training.

In 2018, the CID 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 participated on several task force groups or councils and served as panelists for training sponsored by the state housing finance authorities and statewide housing and community economic development conferences. At each statewide conference, we presented a representative from one of our member financial institutions with a Community Spirit Award to honor the individual's outstanding commitment to affordable housing and community economic development. In addition, staff gave a presentation at a national Interagency forum. FHLBank Indianapolis staff exhibited at both the Indiana and Michigan Habitat for Humanity conferences in the fall. AHP in-depth training was offered to 2018A applicants through Training on Demand and Technical Assistance on Demand options available through members, a series of webinars, help mail, and several days of onsite reviews prior to the application deadline. A CID presentation was also incorporated into the Member Symposium held in each state, with a lunch presentation of a member-sponsor success story of property development that improved the lives of area residents and families. Members were also introduced to the idea of identifying champions in their organization to work with CID grant programs.

Finally, we continued to build on the success of a pilot program, named Community Mentors, that was introduced in November 2016. Community Mentors targets a small community where community leaders convene to learn from others who have successfully navigated the challenges of engaging community stakeholders to find enduring local solutions for a variety of community and economic development needs. For this event, CID staff assembles teams from around the district who have navigated through the many obstacles and challenges of building strong communities.

The 2019 outreach and training calendar will repeat successful regional outreach efforts with Marketing staff, which will be conducted in both Indiana and Michigan to give an overview of all CID offerings while providing member/sponsor testimonials and networking opportunities. In addition, program information will be presented at the state affordable housing conferences in our district as well as at conferences sponsored by the Interagencies, CRA associations, Credit Union Leagues, Community Action Agencies and various other organizations involved in housing and community economic development and community lending. Working with Marketing and other bank staff to better segment our membership, we continually identify opportunities for affordable housing and community investment for our members. We will focus on adding value for our members, benefiting communities by involving members in local development and impacting communities by identifying champions to lead quality targeted community lending.

4: Affordable Housing Program (AHP)

FHLBank Indianapolis's AHAC and AHC are comprised of committed and experienced housing and community development advocates and developers, as well as member financial institutions. In addition to the quarterly meetings, an Implementation Plan Subcommittee meets monthly by conference call during the second half of the year to develop the 2018 Community Lending Survey, review the preliminary results of the 2018 Plan and recommend changes for 2019. The Implementation Plan Subcommittee completed its work on the Community Lending Plan in November, allowing for the 2019 Community Lending Plan to be submitted for AHAC/AHC consideration and recommendation for Board approval at the November Board of Directors meeting. For 2018, the first district priorities are member financial involvement and rural housing. Up to 8 points are available for projects demonstrating financial involvement by the AHP sponsoring member through permanent financing, construction/bridge financing, letter of credit and/or a monetary donation in support of the housing development costs. Up to

3 points are available for projects located in rural designated counties as identified by 2010 U.S. Census data. When asked about the rural housing scoring category in the Community Lending survey, the majority of member and non-member respondents said that they did not have appropriate experience to answer. About 25% of the member and non-member respondents thought the rural percentage rating from the Census data is the best definition.

Second district priorities support opportunity targeting, desirable sites initiatives, cost containment and project readiness to proceed. Opportunity targeting provides up to 4 points for projects reserving at least 10% and up to a maximum of 25% of units for households with a total income that is at or below 30% of the area median income. Under this category, projects committed to establishment of a rent subsidy program shall receive 2 points. Desirable sites initiative has up to 8 points available for projects that demonstrate proximity/access to transportation and listed amenities. Cost containment provides up to 3 points for housing initiatives deploying reasonable total per-unit development cost containment strategies. Five (5) points will be awarded to projects demonstrating readiness to proceed based upon firm funding commitments documented at the time of application. When asked about the opportunity targeting scoring category in the Community Lending survey, 54% of member respondents said they did not have appropriate experience to comment and 38% said the percentage range should be less restrictive. Non-member respondents evenly said to keep the 10% - 25% range and to make it less restrictive (28% each).

With 65% of our total Affordable Housing allocation available for the competitive program, we awarded \$10.4 million to 27 applicants in one funding round during 2017. The 27 awards include two (2) alternate awards with tied scores that were awarded in December 2017 following the decommitment of one project. The majority of awarded projects are rental properties developed by non-profit organizations on sites with amenities that are desirable for the population being served. Over half of the awarded projects received points for readiness to proceed, green building features and some level of FHLBank Indianapolis member financial involvement in the development budget. The 2018 competitive AHP awards will be approved by the Board in November 2018.

The 2019 AHP Implementation Plan will be submitted for AHAC/AHC consideration at the January 2019 Board of Directors meeting. This timing change was implemented to clearly show that the Implementation Plan programs, scoring and guidelines flow from district needs identified in the Community Lending Plan.

5: Homeownership Initiatives (set-aside programs)

The FHLBank Indianapolis continued contributing the maximum 35% allowable for 2018. FHLBank Indianapolis made the Homeownership Initiative funding available as *Express* (first come, first served) in one release, without designating specific uses to allow maximum flexibility for our member institutions to use funding based on district needs. As part of the 2018 set-aside calculation, one-third of the aggregate allocation was allocated to first-time homebuyers and \$350,000 was allocated to accessibility modifications.

In 2018, 68.7% of our set-aside funds were requested by members for owner-occupied rehabilitation and accessibility modifications. Southeast Michigan was one area that displayed a unique need for this funding. With a growing senior population and inadequate housing, elderly locals are struggling to safely remain in the communities they call home, especially at an affordable price. "With the rising share of seniors comes changing housing needs," said Emily Peiffer of the Urban Institute. "But Southeast Michigan's housing stock is older than the national average, and older properties are more likely to require rehab and renovation and to have features like stairs that can be difficult for older residents to navigate." Between 2010 and 2040, senior households are anticipated to grow from 22 to 37 percent, further emphasizing the need for additional sources of funding.

Homeownership Initiative funding was available until late June 2018. In 2018, member participants accessed approximately \$6.3 million in funding that provided assistance to over 813 households.

In 2018, NIP was the most popular product among the member financial institutions with \$3.2 million disbursed to 468 households. Several members participated in AMP and provided \$1.3 million to improve accessibility for household residents by installing ramps and modifying bathrooms.

6: Elevate (Small Business Grant Program)

The 2017 Community Lending Plan included a goal to present a proposal for a voluntary community economic development program to the AHAC and AHC in September 2017. A cross functional team was formed in early 2017 to research options. The team started with survey results from the most recent Community Lending Survey to identify the district's top non-housing needs. The team conducted further research with statewide community economic development associations and other FHLBanks to develop a survey for attendees of the March 2017 Workshops held throughout the district. Based on this input, three potential programs were outlined and presented to member focus groups during the summer.

Following the focus groups, the team focused on further development of a small business grant program. A working group of four FHLBank Indianapolis directors provided valuable input to finalize a prototype for presentation at the September 2017 AHAC and AHC meeting. With further refinement from the team and Board working group, the proposed product, named Elevate, was approved at the November 2017 board meeting.

We created an implementation guide, application, and marketing materials to hold the first offering of Elevate in summer 2018. Funds can be applied towards the cost of small business capital expenditures or training focused around small business development. The maximum grant size is \$25,000 with a target of \$250,000 in total funding.

After receiving 92 applications in 2018, we awarded \$255,595 to 11 businesses throughout Indiana and Michigan. 64% of awarded businesses are located in low-to-moderate income census tracts with an area median income of 120% or less, 55% of which are minority-, women-, veteran-, or disabled-owned. The grants are expected to create 30 new jobs in a variety of industries such as educational services, food retail, and metalworking. Projects awarded most commonly included plans for machinery or equipment purchases, workforce development, technology enhancements, and facility improvements, as well as business expansion.

7: Community Support Program

The Community Support Program regulation, 12 CFR Part 1290, was amended on May 28, 2015. The amendments replaced the process of selecting one-eighth of all applicable members for eight quarterly reviews by the Finance Agency over a two-year review cycle with a process of the Finance Agency reviewing all applicable members at the same time every two years. By March 31, 2017, we provided written notice to all members subject to Community Support review that such member must submit a completed Community Support Statement ("CSS") to the Finance Agency by December 31, 2017. We worked with our member financial institutions during 2017 and January 2018 to ensure all members are in compliance with this regulatory requirement.

In October 2018, the Finance Agency again amended 12 CFR Part 1290 regarding Community Support Statements. The revised rule changes the dates for members to submit the CSS and for the FHLBanks to notify their Advisory Councils and others of the ability to comment and to notify members of their obligation to submit a CSS. 2019 CSS will be due by October 31st and the FHLBanks must have their notifications out by March 29th.

The Finance Agency is required to establish regulations with standards of community investment or service for members of FHLBanks to maintain access to long-term advances. For purposes of this regulation, a long-term advance has a term to maturity greater than one year.

8: 2018 Goals and Accomplishments

Goals	Accomplishments
<p>Originate \$100 – 150 million in CIP advances and letters of credit.</p>	<p>As of 9/30/18, CIP originations totaled \$279.1 million. Advances totaled \$279.1 million and CIP-related letters of credit (including interest) totaled \$0 million.</p>
<p>Support multifamily housing, small business, small farm, or small agri-business lending by encouraging community financial institutions (“CFI”) use of advances for these purposes through targeted promotional initiatives, monitoring over collateralization requirements for “CFI eligible” collateral, and monitoring amount of “CFI eligible” collateral pledged.</p>	<p>As part of our quarterly analysis, CFI over-collateralization levels are reviewed as is the amount of CFI eligible collateral that is pledged. Both reports are presented quarterly to the Member Services Committee. Also, promotional product sheets used at individual and larger member meetings highlight the additional collateral that is available to be pledged by CFIs.</p>
<p>Expand 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"> o Contact 100% of member institutions with program outreach materials. o Work with partner organizations to promote events and include articles in their regular communications. o Increase attendance at training events by 10%. o Achieve a target of 4 new AHP member participants. o Achieve a target of 4 new set-aside member participants. 	<ul style="list-style-type: none"> • As of 9/30/18, all members were contacted through 7 Community Investment Bulletins, and the Affordable Housing Advisory Council Annual Report. The member e-newsletter distributed by the Marketing Department typically includes Community Investment Department (CID) features. As of 9/30/18, we sent five CID newsletters with distribution to members, sponsors, and community partners. • Prosperity Indiana and the Community Economic Development Association of Michigan (“CEDAM”) regularly promote FHLBank Indianapolis events in newsletters and via social media. CID staff also promote Prosperity Indiana and CEDAM events by forwarding email invitations to our membership lists. • Attendance at our 6 CID face-to-face workshops remained steady in 2018. Attendance at the 2018 outreach workshops was 353 compared to 360 in 2017. CID staff has presented program information at conferences or meetings during the year, including both the MI and IN statewide housing conferences, 1 interagency forum, and MPP Conferences. <p>Our two new workshops on Underwriting Affordable Housing were held in partnership with the state housing finance authorities. Speakers represented housing developers, tax credit syndicators and member financial institutions.</p> <p>We attended and used exhibit space at several additional conferences and events. Ongoing outreach occurs through numerous member and sponsor visits to address individual projects and potential opportunities.</p>

Goals	Accomplishments
	<ul style="list-style-type: none"> • AHP applications were received from 5 members using AHP for the first time. Awards will be approved at the November board meeting. • Thirteen members became new/reactivated set-aside participants.
<p>Implement Elevate guidelines/forms, receive applications, and announce awards. Following the funding cycle, report results to the AHAC/AHC and evaluate for 2019.</p>	<p>Program materials for Elevate were available on the FHLBI website by May 1, 2018. We received 92 applications on August 1 and announced 11 awards totaling \$255,595. We are examining our guidelines and evaluation criteria for possible 2019 changes, focusing on the efficiency of job creation and best practices.</p>
<p>Coordinate one Community Mentors event in the district.</p>	<p>We coordinated one Community Mentors event in Martinsville, IN on October 6, 2018.</p>

9: 2019 Goals

Goals for 2019 are as follows:

- Expand 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.
 - Work with partner organizations to promote events and include articles in their regular communications.
 - Leverage training efforts with other stakeholders to target building organizational capacity for non-profits.
 - Increase attendance at training events by 10%.
 - Achieve a target of 4 new competitive AHP member participants.
 - Achieve a target of 4 new AHP Homeownership Initiatives member participants.
 - Achieve a target of 4 new Elevate member participants.
- Originate \$100 - 200 million in CIP advances and letters of credit.
- Coordinate one Community Mentors event in the district.
- Convene one workshop each in Indiana and Michigan focusing on Underwriting Affordable Housing.