



# Multiplying Your Community Investment

2020 Targeted Community Lending Plan



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## 1: Background

The CICA Regulation, 12 C.F.R. Part 1292, requires each FHLBank to develop a Targeted 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;
4. identify and assess any specific affordable housing needs addressed through the option of Targeted Funds; and
5. 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") 2020-2022 Strategic Plan, the 2020 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 November 20, 2018, the Federal Housing Finance Agency ("Finance Agency") issued a final rule amending the affordable housing program regulation. ("Final Rule"). The Final Rule amends the Community Support Requirements to require an annual Targeted Community Lending Plan that, in addition to the requirements listed above, also describes how the FHLBank addresses identified significant affordable housing needs in its district through its Affordable Housing Program ("AHP").

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, promote 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.

**Promote MPP Solutions:** Provide an attractive and efficient secondary market outlet for members to sell their mortgage loans that enhances their balance sheet liquidity, creates additional member income, and reduces their interest rate risk.

**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.

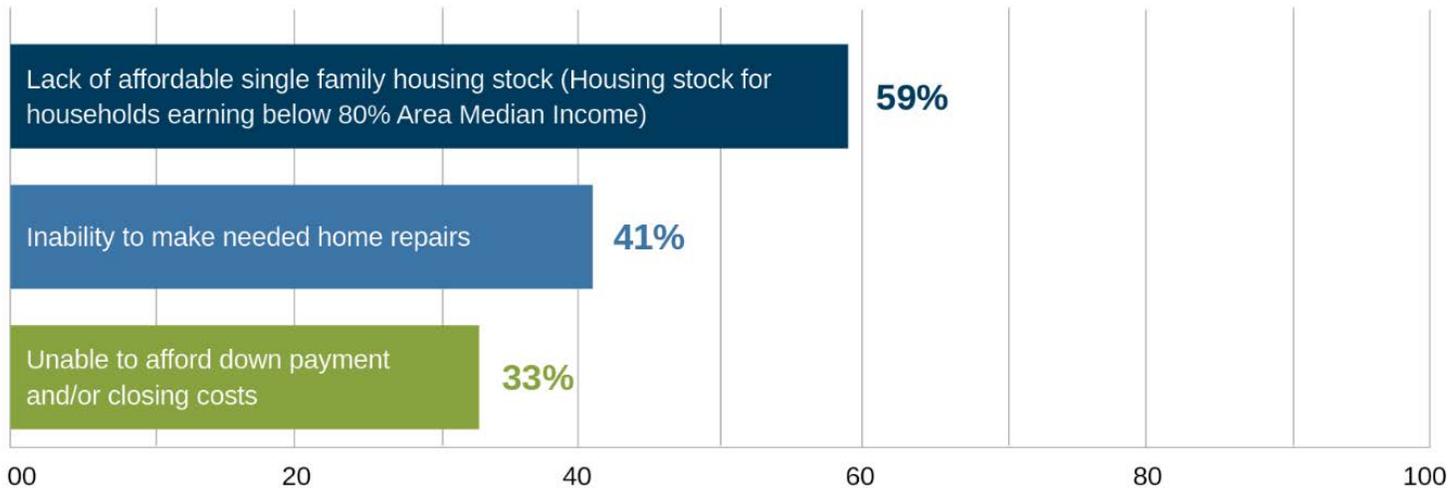
**Promote Communities:** Provide funding to assist low- to moderate-income families obtain affordable housing and to support economic growth and employment within local communities.

## 2: Market Needs Assessment

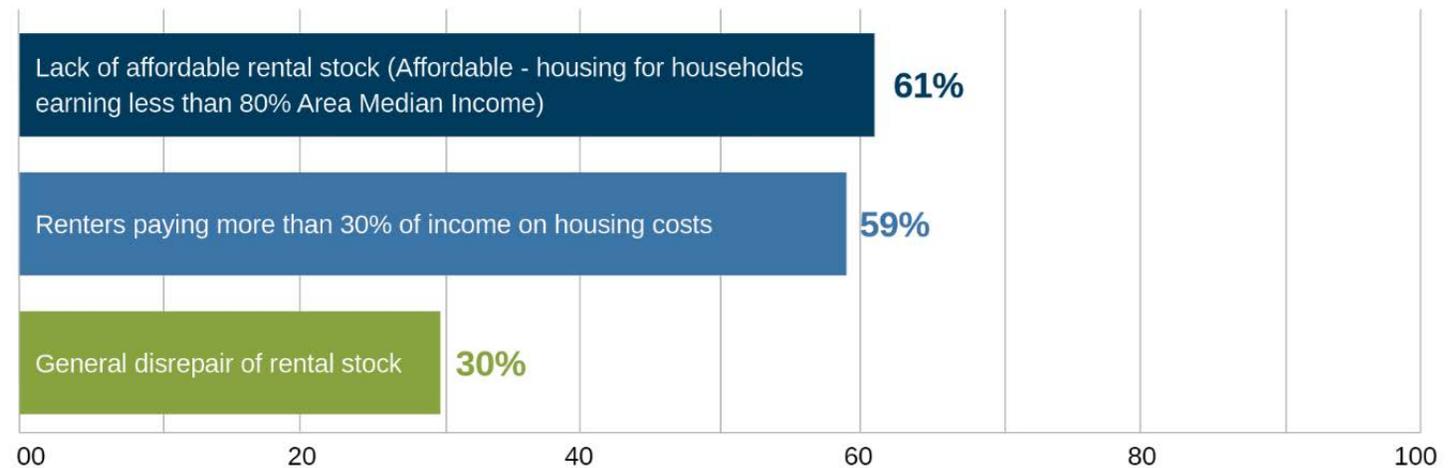
In planning for the 2020 Targeted Community Lending Plan, FHLBank Indianapolis contracted with the Indiana Association for Community Economic Development d/b/a Prosperity Indiana (“Prosperity Indiana”) and the Community Economic Development Association of Michigan (“CEDAM”) to survey members and community partners. The survey was distributed to FHLBank Indianapolis members and partners, Prosperity Indiana contacts, and CEDAM contacts. In 2019, there were 249 survey respondents compared to 232 respondents in the 2018 survey. Of the responses, about 21% 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 49 percent serve a multi-county area, while 51 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.

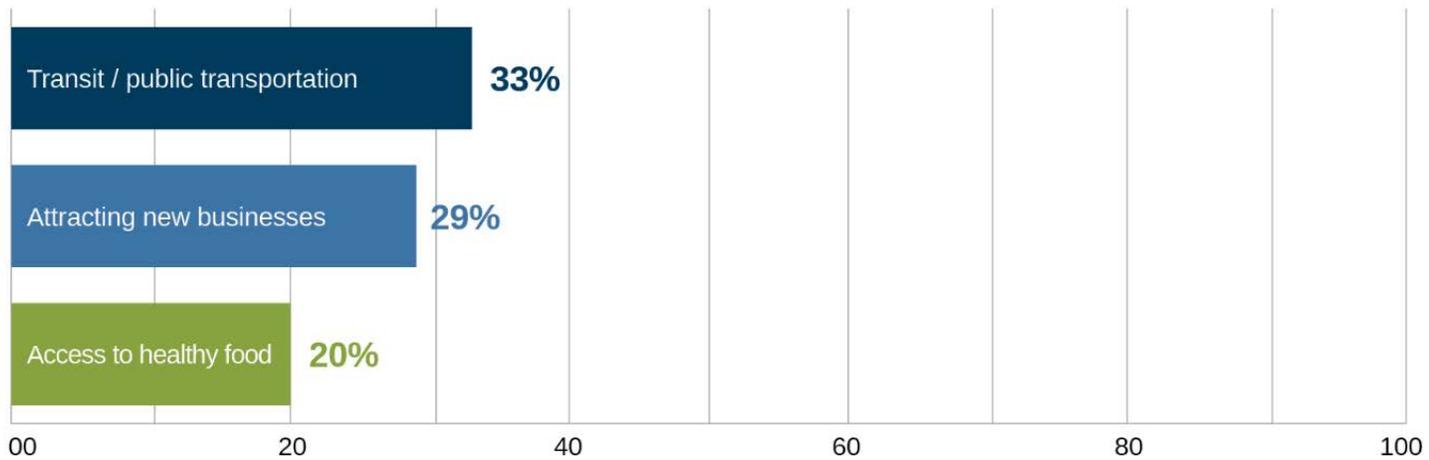
### The top needs for homeowners/potential homeowners are:



### The top needs for renters/potential renters are:



### The top non-housing needs are:



There were 170 survey responses from Indiana and 78 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 (51% in Indiana and 59% in Michigan). The inability to complete needed repairs was the second issue in Indiana (35%) and in Michigan (38%). Indiana ranked the lack of affordable rental housing and renters paying more than thirty percent of their income on housing costs equally as the top issue (each at 52%) facing renters. Michigan identified those as the top two issues facing renters (60% and 54% respectively). Transit/public transportation issues was the top non-housing community economic development issue in Indiana. Attracting new businesses was the top non-housing issue in Michigan.

FHLBank Indianapolis members were asked to identify their greatest community lending needs, identifying small business lending (42%) and mortgages (40%) as their top needs. These responses are the same from the 2018 responses. However, 27% responded that the third top community lending need was microcredit lending which is a significant increase from the 2018 responses when 10% identified this as a need

### Community Lending Needs:



The survey attempted to measure respondents' familiarity with Community Investment programs. Nearly 40 percent of member survey participants had applied for an AHP grant in the past five years. The greatest response for "why not?" was "not enough staff/resources" (37%). These results indicate continued need for the Targeted 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 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. Looking forward five years, respondents expect increased need for housing at all levels –for workforce housing, senior housing, permanent supportive housing, recovery 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 2019 include an increased concern for access to healthy foods, particularly for low-moderate income households.

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

- A marketing strategy for connecting organizations with FHLBank Indianapolis products, with a special focus on non-members who can partner with current FHLBank Indianapolis members to take advantage of AHP products. A majority of respondents indicated that the FHLBank Indianapolis products would be useful to their organization, but lacked awareness. Promotion of lesser-known products, such as CIP and Elevate, should continue to be promoted amongst member organizations. Partnerships with community economic development associations like Prosperity Indiana and CEDAM can help to broaden the audience amongst non-members.
- Evaluating the requirements, application process, and timelines of current products. Many qualifying respondents have not used FHLBank Indianapolis 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 support organizational capacity including operational funding and staff resources. Funding and staff capacity were identified by many respondents as the biggest challenges in doing their work.

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 Targeted Community Lending Plan.

### 3: Marketing, Outreach and Training

In 2019, 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 9/30/19, CIP advances exceeded the year's goal. Collaboration with Marketing will continue in 2020 with additional efforts to implement the Community Investment Outreach Plan.

Six training sessions were offered in March 2019 divided equally between Indiana and Michigan. In addition to providing overview information about the AHP, the Homeownership Initiatives and CIP, the workshops introduced the electronic automation project for the Homeownership Initiatives and the secure portal for the AHP.

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 2019, 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. The Community Spirit Award winner for each state presented at the Member Symposium to recognize their outstanding work amongst their member peers and to also share their successes in utilizing CID grant programs to improve the lives of area residents and families. FHLBank Indianapolis staff participated at both the Indiana and Michigan Habitat for Humanity conferences. AHP in-depth training was offered to 2019A 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. CID staff hosted two Underwriting Affordable Housing workshops, one in each state, that included a panel discussion of the unique attributes of affordable housing from a lender and funder's perspective. The FHLBank Indianapolis staff and member financial institution, developer, state housing finance agency and tax-credit syndicator presented at this educational and technical workshop.

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. In 2019, FHLBank Indianapolis hosted one event in Lansing, Michigan and one event in Ellettsville, Indiana.

The 2020 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 2019 Community Lending Survey, review the preliminary results of the 2019 Plan and recommend changes for 2020. The Implementation Plan Subcommittee completed its work on the Targeted Community Lending Plan in November, allowing for the 2020 Targeted Community Lending Plan to be submitted for AHAC/AHC consideration and recommendation for Board approval at the November Board of Directors meeting. For 2019, 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 Rural-Urban Commuting Area (RUCA) data.

Second district priorities support opportunity/income integrated targeting, desirable sites initiatives, 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 establishing 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. Five (5) points will be awarded to projects demonstrating readiness to proceed based upon firm funding commitments documented at the time of application. Eighty (80) respondents identified themselves in the Community Lending Survey as being involved in developing affordable housing. The majority incorporate project development team members who are certified Women Business Enterprises (64%) and Minority Business Enterprises (60%). They also identified the average project funding gap was below \$600,000 which further supports our AHP maximum subsidy at \$500,000.

With 65% of our total Affordable Housing allocation available for the competitive program, we awarded \$13.8 million to 31 applicants in one funding round during 2018. The 31 awards include three (3) alternate awards. 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 opportunity targeting, qualified design features and some level of FHLBank Indianapolis member financial involvement in the development budget. The 2019 competitive AHP awards will be approved by the Board in November 2019.

The 2020 AHP Implementation Plan will be submitted for AHAC/AHC consideration at the January 2020 Board of Directors meeting. This timing allows to clearly show that the Implementation Plan programs, scoring and guidelines flow from district needs identified in the Targeted Community Lending Plan.

## 5: Homeownership Initiatives (Set-aside Programs)

The FHLBank Indianapolis continued contributing the maximum 35% allowable for 2019. 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 2019 set-aside calculation, one-third of the aggregate allocation was allocated to first-time homebuyers.

Homeownership Initiative funding was available until late July 2019. In 2019, member participants accessed approximately \$8.4 million in funding that provided assistance to over 1,100 households.

In 2019, 68% of our set-aside funds were requested by members for owner-occupied rehabilitation and accessibility modifications. The Community Lending Survey participants indicated roofing (91%), HVAC systems (66%), windows (59%) and plumbing (44%) as the most important repairs needed to owner-occupied housing in their service areas. Further, participants indicated bathroom modifications (91%), exterior access to the home (87%), widened doorways (64%), and relocation of laundry facilities to the main floor (34%) as the top four modifications needed most by residents to make their homes more accessible. These results support the eligible repairs and modifications allowed in our Neighborhood Impact Program (NIP) and Accessibility Modification Program (AMP).

In 2019, NIP was the most popular product among the member financial institutions with \$4.6 million disbursed to 661 households. Several members participated in AMP and provided \$1.2 million to improve accessibility for household residents by installing ramps and modifying bathrooms.

## 6: Community Investment Cash Advance Programs (CIP)

Through the Community Investment Program (CIP), FHLBank Indianapolis members have access to at-cost loans and letters of credit to support affordable housing and community economic development activities that benefit low- and moderate-income families or neighborhoods. These funds are used to develop affordable housing and support local job creation. In 2018, FHLBank Indianapolis members used Community Investment Program (CIP) advances totaling \$370.1 million to fund 34 projects across the country. The 2018 Community Lending Plan included a goal to originate \$100-\$200 million in CIP advances and letters of credit. Members use Community Investments Program (CIP) advances and letters of

credit because they are a cost-efficient way to borrow long-term funds for their local economic development needs. CIP advances were used to support affordable housing developments, commercial economic development, and mixed-use developments. CIP is a powerful tool that members use to fuel economic growth. When a member uses CIP, the advance is priced at the cost of funds for similar maturities plus an administrative markup. Members work closely with Community Investment staff and Marketers to ensure the projects demonstrates utilizing CIP will benefit the community in a tangible way- by providing either affordable housing or jobs.

CIP provides an opportunity for FHLBank Indianapolis to help members further support non-housing community economic development needs affecting the communities they serve. The results from the Community Lending Survey indicate transit/public transportation, attracting new businesses, access to healthy foods, neighborhood repairs or development, workforce development programs and support for entrepreneurs among the most important non-housing needs in Indiana and Michigan, all of which CIP could be a financing solution for. FHLBank Indianapolis will continue to promote and educate both members and community partners about the numerous eligible uses for CIP as a community economic development tool.

## 7: Elevate (Small Business Grant Program)

After receiving an overwhelming response to the initial year of the Elevate program in 2018, the Board of Directors approved to increase the total funding available to the program in 2019. The Bank received 71 applications in 2019. \$391,751 was awarded to 17 businesses throughout Indiana and Michigan. 94% of awarded businesses are located in low-to-moderate income census tracts with an area median income of 120% or less, 71% of which are minority-, women-, veteran-, or disabled-owned. The grants are expected to create 28 new jobs in a variety of industries such as arts/craft, farming and, food retail. Projects awarded most commonly included plans for machinery or equipment purchases, workforce development, technology enhancements, and facility improvements, as well as business expansion.

## 8: Community Support Program

In October 2018, the Finance Agency 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 31<sup>st</sup> and the FHLBanks must have their notifications out by March 29<sup>th</sup>. We worked with our members during 2018 and 2019 to ensure all members are in compliance with this regulatory requirement.

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.

## 9: 2019 Goals and Accomplishments

Goals	Accomplishments
Originate \$100 – 200 million in CIP advances and letters of credit.	As of 9/30/19, CIP originations totaled \$268.2 million. Advances totaled \$242.0 million and CIP-related letters of credit (including interest) totaled \$26.2 million.

Goals	Accomplishments
<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"> <li>○ Contact 100% of member institutions with program outreach materials.</li> <li>○ Work with partner organizations to promote events and include articles in their regular communications.</li> <li>○ Increase attendance at training events by 10%.</li> <li>○ Leverage training efforts with other stakeholders to target building organizational capacity for non-profits.</li> <li>○ Achieve a target of 4 new AHP member participants.</li> <li>○ Achieve a target of 4 new set-aside member participants.</li> <li>○ Achieve a target of 4 new Elevate member participants.</li> </ul>	<ul style="list-style-type: none"> <li>● As of 9/30/19, 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 9/30/19, we sent four CID newsletters with distribution to members, sponsors, and community partners.</li> <li>● 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.</li> <li>● Attendance at our 6 CID face-to-face workshops remained steady in 2019. Attendance at the 2019 outreach workshops was 400 compared to 353 in 2018. CID staff has presented program information at conferences or meetings during the year, including both the MI and IN statewide housing conferences, and MPP Conferences.  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.</li> <li>● AHP applications were received from 5 members using AHP for the first time and 6 reactivated members who have not submitted an application in the proceeding five years. Awards will be approved at the November board meeting.</li> <li>● Twelve members became new/reactivated set-aside participants.</li> <li>● Five members became new Elevate participants.</li> </ul>
<p>Coordinate one Community Mentors event in the district.</p>	<p>We coordinated two Community Mentors event in 2019. The first was in Lansing, MI on February 13, 2019 and the second was in Ellettsville, IN on September 6, 2019.</p>
<p>Convene one workshop each in Indiana and Michigan focusing on Underwriting Affordable Housing.</p>	<p>We held one workshop in Dearborn, MI on May 21, 2019 and one workshop in Indianapolis, IN on June 4, 2019. Each workshop had FHLBank Indianapolis staff and a member financial institution, developer, state housing finance agency and tax-credit syndicator as presenters.</p>

## 10: 2020 Goals

Goals for 2020 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.
  - Achieve a target of 4 new CIP participants.
- Originate \$75 - 150 million in CIP advances and letters of credit.
- Seek ways to support organizational capacity including operational funding and staff resources.
  - Convene one workshop each in Indiana and Michigan focusing on Underwriting Affordable Housing.
  - Continue partnership with Michigan CRA Associations and conferences. Convene one statewide event in Indiana.
- Expand the impact of Community Investment Voluntary Initiatives with a strategic approach driven by our outreach goals, stakeholder preferences, and district needs.
  - Coordinate two Community Mentors events in the district and provide each community with a \$10,000 grant to develop a community plan or strategic initiative discussed at the event. Develop an application process for 2021 Community Mentors events.
  - Develop a marketing strategy for Elevate and CIP. The Community Lending survey recommendations include development of a marketing strategy focused on raising awareness of lesser known programs.
  - Incorporate Community Spirit Award winners into the Member Symposium and other events.
  - Continue stakeholder conversations in the Detroit market and recruit an outreach position based in Detroit.
  - Explore the addition of a voluntary lending program.