

2023 TARGETED COMMUNITY LENDING PLAN

STEPPING UP FOR OUR COMMUNITIES



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1: BACKGROUND

The Community Investment Cash Advance (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:

- Conduct market research in its district.
- Describe how it will address the identified credit needs and market opportunities.
- Consult with its Advisory Council, members, non-member borrowers and public and private economic development organizations in its district.
- Identify and assess any specific affordable housing needs addressed through the option of Targeted Funds.
- 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) 2023-2025 Strategic Business Plan, the 2023-2025 DEI Strategic Plan, the 2023 Affordable Housing Program Implementation Plan and this plan will provide a comprehensive approach to serving our members using all the FHLBank Indianapolis's products and services.

The Strategic Business Plan focuses on four significant business activities for progress that are designed to deliver results while carefully balancing our risk appetite: promoting advances, managing capital, promoting MPP solutions and promoting communities. 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.

2: MARKET NEEDS ASSESSMENT

Introduction

To ensure FHLBank Indianapolis is implementing effective affordable housing and economic development programs and products to address the needs throughout its district of Indiana and Michigan, the Community Investment Department (CID) conducted research through a variety of credible national, regional, state and local resources. With guidance and input from the Affordable Housing Advisory Council, affordable housing rental and homeownership trends were identified across the district, as well as existing disparities that exist within certain low-income populations.

Cost Burden Trends

Renter Household Description	Area Median Income
Extremely low-income	At or below 30%
Very low-income	Between 30%-50%
Low-income	At or below 80%

Indiana and Michigan	Affordable and Available Homes Per 100 Renter Households
District Averages	
Extremely low-income	37
Very low-income	73
Low-income	103

Source: NLIHC tabulations of 2020 5-Year ACS PUMS

According to the 2022 National Low Income Housing Coalition (NLIHC) Housing Needs by State data, Indiana and Michigan have 537,105 renter households who are extremely low-income. Only 37% of them have access to affordable and available homes, leaving a combined shortage of 338,163 rental units for extremely low-income households between Indiana and Michigan. The NLIHC's "The GAP: The Affordable Housing Gap Analysis 2022" states that Indiana and Michigan combined have an additional deficit of 333,204 of affordable and available rental units for very low-income households. Additionally, the report indicates there is an average of 103 affordable and available units per 100 households at or below 80% of AMI in the District (Indiana and Michigan together) and 105 affordable and available units per 100 households at or below 100% of AMI within the district. Whereas, an average of 73 affordable and available units are available for every 100 very low-income households and a mere average of 37 affordable and available units exists per 100 extremely low-income households. This demonstrates the shortage of units is most significant for those households at very low and extremely low-income levels in the district.

Figure 1: NLIHC Indiana State Data Overview



Figure 2: NLIHC Michigan State Data Overview



While the affordability and availability of rental homes for households is an evident need throughout the district, an additional need to consider is the level of cost burden households experience. NLIHC defines cost burden as households who spend more than 30% of their income on housing costs and utilities and severely cost burdened as those spending more than half of their income on housing and utilities. The more severe cost burden a household experiences, the more at risk they are to sacrifice other necessities including food, healthcare and rent, ultimately putting them at higher risk for evictions. Largely, the very low and extremely low-income households are most rent burdened across both states, with most of the need represented by those in the workforce, senior households or households with disabilities.

Figure 3: NLIHC Indiana Housing Cost Burden

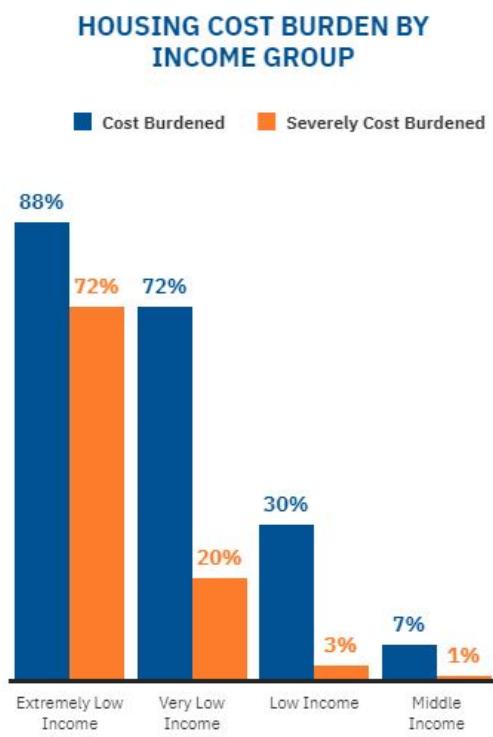
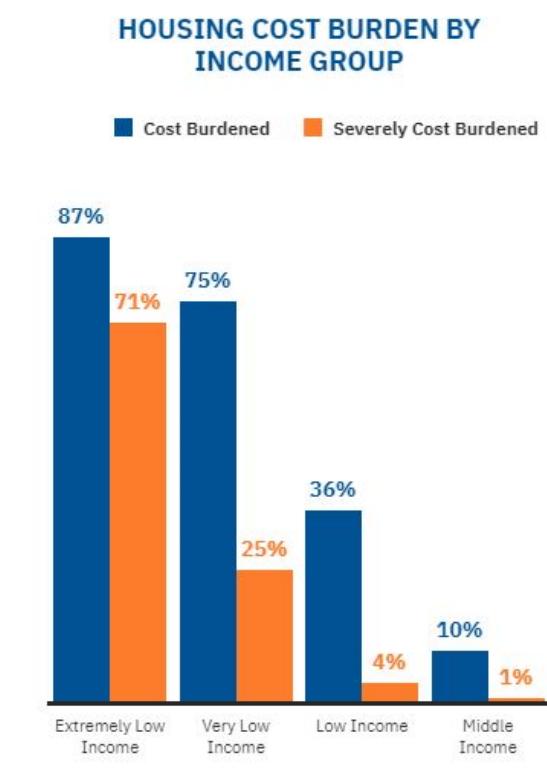


Figure 4: NLIHC Michigan Housing Cost Burden



In addition to the lack of available and affordable housing units, the age and condition of housing stocks also continues to be a burden for existing homeowners. According to the 2019 American Community Survey (ACS), the median age of housing stock in Indiana and Michigan ranged between 41-50 years old, which is higher than the national average of 39 years. A higher supply of older housing stock demands more investment for homeowners to provide upkeep and make repairs as housing elements are reaching the end of their lifespan and older houses are less energy efficient. A 2019 analysis by the Federal Reserve Bank of Philadelphia and PolicyMap found that 45% of homes built before 1940 needed repair, compared to 26% of homes built in 2000 or later.

As FHLBank Indianapolis offers a home repair grant program, the Community Investment Department is specifically interested in identifying home repair data needs between the two states. However, there is very little statewide data available to understand the magnitude of this problem. The University of Michigan Poverty Solutions conducted a study in 2020 and found that over 24,000 Detroit households are living with either moderately inadequate or severely inadequate homes. According to the Poverty Solutions study, every \$6,000 grant distributed to city residents addressed only one of every two major repair needs. Roof repairs, weatherization and accessibility modifications are in highest demand.

All these components contribute to the ongoing need for programs and products to increase the availability, affordability, safety and access to housing, specifically for low-moderate income households and vulnerable populations.

Affordable Housing Rental Trends and Policy Shifts

The District of FHLBank Indianapolis encompasses the states of Indiana and Michigan. To get a better understanding of the specific affordable housing rental trends and statewide housing strategies to increase affordable housing in each state, it is imperative to analyze statewide data trends and the priorities of each state housing finance agency.

Michigan

A significantly large portion of Michigan residents are income strained. According to the 2021 United Way ALICE Report of Michigan, 38% of households live in poverty or qualify as ALICE (Asset Limited, Income Constrained and Employed). When examining income levels across race, 60% of Black households are at or below ALICE threshold. Hispanic households are also above average with close to 50% at or below ALICE threshold. Also striking, just under 75% of all single female-headed households in Michigan are at or below ALICE threshold. This means that three out of four single female-headed households often must choose between buying groceries or paying monthly utilities. Given FHLBank Indianapolis' strategic focus on Detroit and the District's largest metropolitan area, it's also worth noting that 70% of Detroit households are at or below ALICE threshold compared to 38% of the state overall.

Given the substantial portion of income-strained households across Michigan, there is also a significant shortage of affordable rental homes available. As the 2022 NLIHC's Housing Needs by State data indicates, Michigan has a significantly larger need of rental units for extremely low-income households. The report indicates there is a shortage of over 203,130 rental units available for extremely low-income households which indicates an increase from 2021. To help put this in perspective against Michigan's population, there are only 36 rental units available per 100 households making at or below 30% AMI. Senior households and/or households with disabilities represent half of these extremely low-income households. Very low-income households are also experiencing severe shortages in the rental market,

with only 68 affordable rental units available per 100 households making this income. The NLIHC's "The GAP: The Affordable Housing Gap Analysis 2022" identifies Michigan in the bottom half of states that have less affordable and available units for extremely low incomes than the national level of affordable and available units. Based on this report, Michigan has a total deficit of 365,642 of affordable and available housing units for households at or below 50% of AMI – an increase of over 6,000 units from 2021.

FHLBank Indianapolis evaluated Michigan's State Housing Development Authority (MSHDA) Qualified Allocation Plan (QAP) to ensure alignment with statewide housing policy, funding and initiatives. According to the 2022-2023 QAP staff notes, the current QAP is focused on funneling resources to areas with a high concentration of overburdened renters, green building and healthy living systems. The QAP has restored the 25% Permanent Supportive Housing (PSH) set-aside and has introduced a native housing set-aside. MSHDA is also pursuing a Racial Equity Impact Assessment to understand how the QAP currently impacts racial minorities and plans to have suggestions ready in early 2023. Additionally, MSHDA has rolled out a Missing Middle Program aimed to help support the construction and preservation of units reserved for 80%-120% of AMI as well as an Energy Efficiency Home Repair Program.

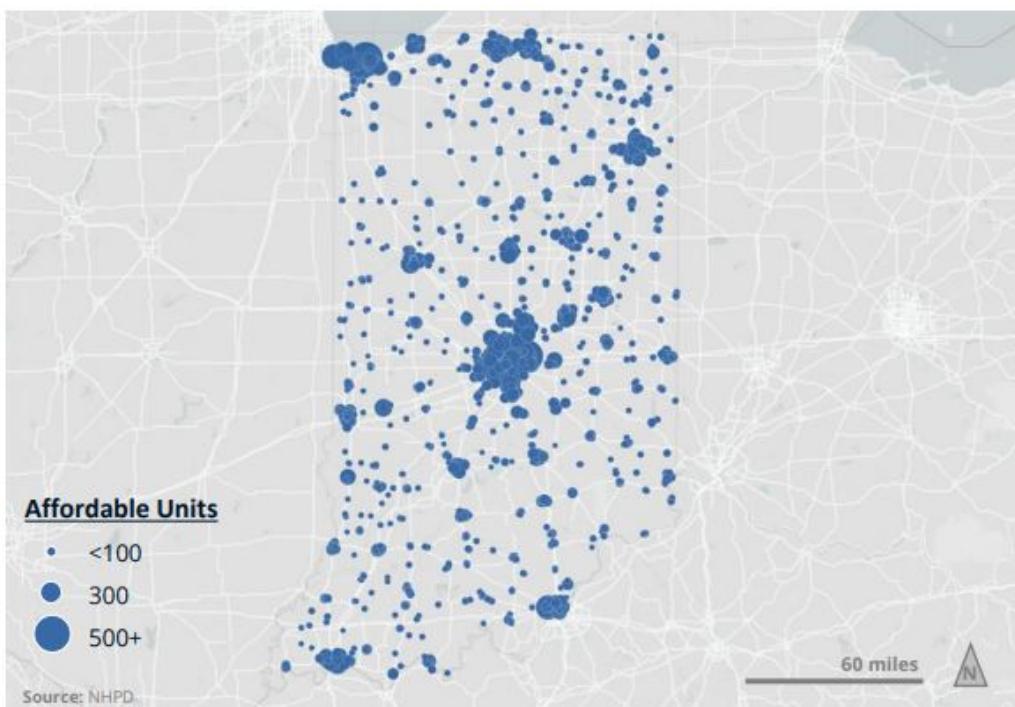
Indiana

Throughout 2021, Indiana developed the Indiana Housing Dashboard, an online statewide housing needs assessment tool, as part of an initiative of Governor Eric Holcomb and Lt. Gov. Suzanne Crouch's 2021 Next Level Agenda's Housing Working Group, of which FHLBank Indianapolis was a working member. According to the Housing Needs Assessment for Indiana (September 2022), 30% of households in the state have incomes below \$35,000 and 8.9% of families live below the poverty line, which in 2022, equates to a household income of \$27,750 for a family of four. According to the 2020 United Way ALICE Report of Indiana, 37% of Indiana households either live in poverty or qualify as ALICE. Further, the Housing Needs Assessment for Indiana (Assessment) indicates 31% of Indiana households were renters, while 69% were owners in 2020. Racial disparities continue in homeownership in Indiana. In 2020, 37% of black households owned a home, in comparison to 75% of white households and 55% of Hispanic/Latino households. The Assessment also indicates 14% of people in Indiana live with a disability. The assessment also gives insight into statewide housing trends, which include the following:

- 45% of homes in Indiana were built before 1970.
- The median listing price for a home in Indiana increased 87% between July 2016 to July 2022, from \$148,500 to \$278,000, respectively.
- Median rent increased by 20% since 2011, with an average rent at \$844 in 2020.
- 83.5% of housing units have access to internet statewide.
- Below shows the geographic distribution of affordable housing units throughout Indiana in 2020.

Affordable Housing Inventory

State of Indiana | 2020



According to the 2022 NLIHC Housing Needs by State report, there is a shortage of 135,033 rental units available for extremely low-income households. To demonstrate how much need exists across the state, this shortage results in only 38 affordable and available rental homes per 100 households with extremely low incomes. Of these extremely low-income households, the majority are in the labor force, seniors or people with disabilities. Households earning 50% AMI or below are experiencing affordable rental housing stock shortages, although less severe than those with extremely low income. For every 100 households with very low incomes, only 78 affordable homes are available.

FHLBank Indianapolis evaluates Indiana's Housing and Community Development Authority (IHCDA) Qualified Allocation Plan (QAP) to ensure alignment with statewide housing policy, funding and initiatives. According to the 2023-2024 QAP, there is a new general set-aside for emerging first-time LIHTC developers that are XBE entities (defined by IHCDA to collectively refer to Minority Business Enterprise (MBE), Women Business Enterprise (WBE), Veteran-Owned Small Business (VOSB) or Service-Disabled Veteran-Owned Small Business (SDVOSB)). New scoring priorities were introduced to encourage rent and income affordability alignment and longer retention, sustainable development and leveraging resources with READI or HELP programs. Additionally, IHCDA will begin to offer State Housing Tax Credits and looks to continue to provide gap funding extensions while managing the increasing demand for Multifamily Bond projects.

Homeownership Trends and Policy Shifts

While rental housing units play a key role in addressing housing needs throughout the district, homeownership is an imperative housing opportunity to generate wealth, particularly for low to moderate income households. The state of homeownership across the district throughout 2022 mirrored national trends. As seen across most communities nationwide, both Michigan and Indiana continued to see a significant increase in home sales in the first half of 2022. Throughout the first half of the year, homebuyer demand remained strong, but housing stock availability continued to decrease. The latter half of 2022 introduced rising interest rates which took some demand out of the homebuyer market.

According to the Joint Center for Housing of Harvard University's "The State of the Nation's Housing 2022 Report," home price appreciation nationwide hit 20.6% in March 2022, topping the previous high of 20.0% in August 2021 and marking the largest jump in three decades of recordkeeping. However, by May 2022, the Mortgage Bankers Association's unadjusted Purchase Index showed a 16% year-over-year drop in average weekly home purchase mortgage applications. The report stated that "for lower-income households and households of color, the pressure of high housing costs is unlikely to relent. The housing stock itself is in dire need of investment to meet the demands of a rapidly aging population and threats posed by climate change." The report continued that "the sharp rise in interest rates has had an enormous impact on the costs of homeownership, making it harder to close the longstanding disparities."

As noted by HUD's Office of Fair Housing and Equal Opportunity on Dec. 7, 2021, "the Black-White homeownership gap is wider today than it was in 1968 when the Fair Housing Act became law." The National Association of Real Estate Brokers reported that in 2019 the national homeownership rate was 42% for Black, 48% for Latino, and 73% for white households. When examining this data at the district level, Black households are at an even greater disadvantage with a 36% homeownership gap in Indiana and a 32% gap in Michigan when compared to white households.

	<i>Indiana</i>	<i>Michigan</i>
<i>White Alone</i>	74%	77%
<i>Black or African American Alone</i>	38%	45%
<i>Hispanic or Latino Householder</i>	59%	62%

Source: U.S. Census Bureau, 2016-2020 American Community Survey 5-Year Estimates

The wealth gained through homeownership is much more significant for minority households than it is for white families. According to the Urban Institute, housing equity makes up nearly 60% of total net worth for Black homeowners compared to 43% of total net worth for white homeowners.

Community Lending Trends

To understand the current community lending challenges and opportunities that exist for FHLBank Indianapolis members, a brief survey was issued in 2021 with five questions sent to member representatives that work in CRA lending or community lending positions. Six members responded to the survey.

Mortgage Origination for Low Income Communities

Of the six respondents, half noted that the competitive housing market and lack of interested applicants meeting underwriting standards were two challenges in originating mortgages to low-income communities as defined by 80% AMI household income or below.

Members stated they would be interested in products that provide special pricing for purchasing mortgages for low-moderate income borrowers which would ultimately provide additional earnings back to the member that could be passed onto the borrower at a lower rate, as well as funding for refinancing that would buy down the rate of the loan or reduce the principal.

Small Business Loan Origination for Low Income Communities

When asked what the biggest challenges are to originating small business loans to and in low-income communities, half of the respondents noted that interested applicants do not meet underwriting standards. One respondent suggested that FHLBank Indianapolis could help address these challenges with members through creating a program targeted to borrowers based in low-moderate income geographies by guaranteeing a portion of the loan, similar to the SBA, but on a much smaller scale. Another respondent suggested that FHLBank Indianapolis convene banks and small businesses together for seminars.

CDFI Partnerships and Further Discussions

All respondents said that they would be interested in collaborating with local CDFIs to address community lending needs. More than half of respondents also mentioned that they would be interested in having further discussions around community lending challenges and opportunities with FHLBank Indianapolis.

District Tribal Communities

The FHLBank Indianapolis District is home to 12 federally acknowledged Indian tribes that have sovereign governments that exercise jurisdiction over their members and territory. All of these are in Michigan, while Indiana does not have any federally declared tribes with tribal land located within the state's borders. The following 12 tribal government units have housing associated authorities, departments or committees. They all promote, support and run a variety of housing programs with the majority serving needs related to rental payments, energy and utility assistance, home repair and renovations, down payment assistance and providing homeownership counseling.



Source: Central Michigan University

1. Bay Mills Chippewa Indian Community
2. Grand Traverse Band of Ottawa and Chippewa Indians
3. Match-e-be-nash-she-wish Band of Pottawatomi Indians of Michigan
4. Hannahville Potawatomi Indian Community
5. Huron Potawatomi-Nottawaseppi Huron Band of Potawatomi
6. Keweenaw Bay Indian Community
7. Lac Vieux Desert Band of Lake Superior Chippewa Indians
8. Little River Band of Ottawa Indians
9. Little Traverse Bay Band of Odawa Indians
10. Pokagon Band of Potawatomi Indians
11. Saginaw Chippewa Indian Tribe
12. Sault Ste. Marie Tribe of Chippewa Indians

As of Nov. 30, 2022, there were three certified U.S. Department of Treasury Native Community Development Financial Institutions (CDFI) in the district, all located in Michigan. At least 50% of their activities are directed toward serving Native Americans. Lake Superior Community Development Corporation, a Native Certified CDFI, is currently a member of FHLBank Indianapolis and originates from the L'Anse Reservation in the Upper Peninsula of Michigan. In 2022, Lake Superior CDC supported nine households with grant funding from the Homeownership Initiatives.

In 2022, FHLBank consulted with the designated tribal liaisons from both Michigan Department of Civil Rights (MDCR) and Michigan State Housing Development Authority (MSHDA) to further understand how FHLBank Indianapolis can engage with tribal communities. As MSHDA conducted specific tribal focus groups as part of an overall Statewide Housing Plan effort, they shared that some of the challenges facing Michigan's tribal communities are related to access to land, new construction, permanent supportive housing and subsidy scoring challenges with walkability. In 2022, MSHDA created a tribal set-aside in their 9% LIHTC program. If more tribal-led developments receive 9% tax credit allocations, FHLBank Indianapolis may see more tribal-led AHP applications.

3: COMMUNITY INVESTMENT PROGRAMS AND PRODUCTS

The member financial institutions of FHLBank Indianapolis drive the mission, vision and values of the organization, as partnership with them is the reason FHLBank Indianapolis exists. Each member is embedded into their own community in vastly different ways across the district and it is FHLBank Indianapolis' mission to support them with their distinct community needs. Generally, the need for affordable housing is present in every community but the way members offer support often falls back to the support FHLBank Indianapolis can provide to them in being a key community partner.

FHLBank Indianapolis is proud to provide robust program and product options to help member financial institutions assist their local communities with their affordable housing and community economic development needs.

Affordable Housing Program (AHP)

FHLBank Indianapolis allocates 65% of its total housing allocation to the competitive Affordable Housing Program (AHP). This program offers grants of up to \$500,000 to FHLBank Indianapolis member financial institutions (members) and housing providers and developers (sponsors) to help fund acquisition, construction or rehabilitation of properties that will provide affordable housing. Funds are awarded through an annual competitive application process. In 2022, FHLBank Indianapolis required the submission of an Intent to Apply to be qualified to submit a Final Application. AHP awards support a multitude of affordable housing solutions for veterans, people with disabilities, or young adults transitioning out of the foster care system and many others.

2022 AHP Funding Round	# of Projects	# of Units	AHP Requested
Intent to Apply	89	3,604	\$39.6M
Final Applications	58	2,049	\$23.9
Awards	17	830	\$7.2M

As the table illustrates above, the demand for AHP grant funding far exceeds the allocation available from FHLBank Indianapolis, as is the case every year. In 2022, FHLBank Indianapolis awarded \$7.2 million in AHP grants to 17 projects. Two awards went to homeownership projects, while the remaining 15 projects were a form of rental housing. Most projects were developed by non-profit organizations. All projects were in stabilizing neighborhoods, meaning projects included an element of preservation, infill development, blight elimination, main street revitalization, promotion or preservation of homeownership and/or were in a targeted investment area. More than half the awarded projects provide rental housing for extremely low-income individuals and 67% of projects provided a form of rental subsidy. Additionally, 71% of awarded projects serve a special needs population and 18% of projects serve housing for the homeless. Twenty-four percent of projects were in rural areas of the district.

Members continue to support AHP projects, not only through application submission, but also by participating financially in the project. One hundred percent of projects received either a financial

donation, interim and/or construction financing from the member financial institution submitting the application.

The most significant scoring change made to the 2022 Implementation Plan included the introduction of a new category for “Projects Serving Low-Income Minority Areas.” To be eligible for these points, projects needed to qualify under three different criteria ensuring that the project was in a low-income area, a majority-minority area, and be in alignment with a neighborhood, community or local planning effort. Seven of the 2022 AHP awards received points in this category, representing 41% of overall awards. There was a diffused geographic distribution of these awards, with three of these projects located in Indiana and four located in Michigan.

SUPPORT FOR 2023 I-PLAN ADJUSTMENTS

Given the substantial cost increases seen in construction materials and labor, there has been a significant rise in construction per unit costs along with the operating expenses per unit across AHP applicants. Due to these increases, most applicants are exceeding the current feasibility guidelines of \$250,000 cost per unit and \$5,750 expense per unit. In response to the current trends in construction and labor costs, FHLBank Indianapolis is considering increasing maximums in both areas.

Since 2018, FHLBank Indianapolis has only awarded five homeownership applications out of 125 total awards. This fact, coupled with current market conditions of rising home values, high demand for affordable homeownership units, low supply, rising interest rates, stagnant wages, and high costs of living makes it especially difficult to find and qualify homebuyers under 60% Area Median Income. Due to these facts combined, FHLBank Indianapolis is considering adjusting the scoring criteria for homeownership income targeting.

Lastly, due to the increased construction costs and increased demand for additional subsidy, FHLBank is considering increasing the maximum AHP award amount.

Homeownership Set-Aside Programs

FHLBank Indianapolis continues to contribute the maximum allowable amount (35% of its housing allocation) for grants accessed by our members to help make homeownership a reality for their low-moderate income customers. Three different programs are offered to help meet low-moderate income homeowners needs throughout the lifecycle of homeownership. Throughout 2022, funding was made available in a single release of funds for all set-aside programs on a first come-first served basis, without allocating specific amounts to each of the three programs, which has allowed maximum flexibility for our member institutions to use funding based on their own community needs.

In 2022, Homeownership Initiatives funding was available beginning April 18 and the total pool of available funds allocated to the program (\$3.8 million) was exhausted by June 3.

	Total Awarded	# of Households Assisted	Maximum Award	Average Award	Average Household Income
HOP	\$189,300	38	\$5,000	\$4,981	\$40,753
NIP	\$3.2M	463	\$7,500	\$7,008	\$31,358
AMP	\$457,465	52	\$10,000	\$8,682	\$51,440
Total	\$3.8M	553	N/A	N/A	\$41,183

Homeownership Opportunities Program (HOP)

The Homeownership Opportunities Program (HOP) provides grants of up to \$5,000 to help low-moderate income, first-time home buyers with down payment and closing cost assistance. First-time homebuyers partner with member financial institutions to apply. To qualify for the grant, a homebuyer must be at or below 80% of their area median income, contribute at least \$1,000 towards the purchase of the home, complete a homebuyer counseling course and their housing debt cannot exceed 35% of the total household gross income.

As the table above illustrates, a total of 38 first-time homebuyers were assisted with HOP funding in 2022. On average, these homebuyers earned 50-60% Area Median Income. The average contract sales price for homes being purchased with assistance from HOP was around \$144,000 with the average mortgage around \$137,000.

SUPPORT FOR 2023 I-PLAN ADJUSTMENTS

The Homeownership Opportunities Program has seen a consistent decline in utilization over the past several years. Several factors contribute to this including a competitive housing market, timing of the Homeownership Initiatives round, popularity of the Neighborhood Impact Program, rising home prices and the amount of down payment assistance needed for households under 80% AMI. To help address these trends that can make it challenging for low-moderate first-time home buyers to purchase a home, FHLBank Indianapolis is considering several adjustments to the 2023 program including:

- Increasing the maximum award amount for the Homeownership Opportunities Program.
- Increasing the PITI (Principal, Interest, Taxes, and Insurance) ratio requirements.
- Adding additional time for first-time homebuyers to access HOP funds.

Neighborhood Impact Program (NIP)

The Neighborhood Impact Program (NIP) provides grants of up to \$7,500 to help low-moderate income homeowners with deferred maintenance home repairs. The majority of homeowners partner with a community organization that helps them apply through a member financial institution. To qualify for the grant, the household must be below 80% Area Median Income, the homeowner must have owned and occupied the home for at least six months prior to applying, and must be current on the existing mortgage obligation, and the home must be a single-family home, condo, or modular unit.

As the table above illustrates, NIP continues to be the most utilized Homeownership Initiatives program. In 2022, a total of 463 homeowners were assisted through NIP. On average, these households earn 40-50% of their area median income. Most repairs made with NIP funds were related to roofing/soffits/fascia.

Most Popular NIP Repairs in 2022	
1.	Roofing/Soffits/Fascia
2.	Windows
3.	Repair/Replace HVAC
4.	Exterior Doors
5.	Siding

SUPPORT FOR 2023 I-PLAN ADJUSTMENTS

Given the substantial cost increases seen in construction materials and labor, there has been a significant rise in construction per unit costs for critical home repairs such as the items listed above. As roof repairs are in greatest demand, it is also worth noting that the estimated price tag has increased to \$9,000-\$15,000 in some parts of the district. In response to the current needs of the market, FHLBank Indianapolis is considering increasing the maximum dollar amount per household.

Accessibility Modification Program (AMP)

The Accessibility Modification Program (AMP) provides grants of up to \$10,000 to help low-moderate income senior (62+) homeowners or homeowners that have a person with a disability living with them, with repairs and modifications to make the home more accessible. The majority of homeowners partner with a community organization that helps them apply through a member financial institution. To qualify for the grant, the household must be below 80% Area Median Income, the household must include an individual over age 62 or have a member of any age with a permanent disability, the homeowner must have owned and occupied the home for at least six months prior to applying, and must be current on the existing mortgage obligation, and the owned home must be a single-family home, condo or modular unit.

As the table above illustrates, 52 homeowners made accessibility modifications or repairs with AMP funding in 2022. Of those, approximately 60% were for senior households and the remaining 40% for households with disabilities. On average, these households earn 60-70% of their area median income. Most grant funds allocated for AMP went towards bathroom modifications.

Most Popular AMP Repairs in 2022	
1.	Bathroom Modifications
2.	Installation of Smoke/Carbon Monoxide Detectors
3.	Universal Design Floor Coverings and Ramps

Community Investment Program (CIP) Advance

The Community Investment Program (CIP) Advance offers FHLBank Indianapolis members 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. Members use CIP advances and letters of credit because they are a cost-efficient way to borrow long-term funds for their local economic development needs. 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 Business Development staff to ensure the project demonstrates utilizing CIP will benefit the community in a tangible way – by providing either affordable housing or jobs.

In 2022, FHLBank Indianapolis members used Community Investment Program (CIP) advances and letters of credit totaling \$519 million to fund projects across the country. These CIP products were predominately used to support affordable housing developments and mortgage portfolio funding.

Community Support Program (CSP)

The Federal Housing Finance Agency adopted regulations establishing standards of community investment or service for FHLBank members, who must comply with these standards to maintain access to a FHLBank's long-term advances, and to continue their participation in a FHLBank's Affordable Housing Program (AHP) and other Community Investment Cash Advance (CICA) programs. These standards consider a member's Community Reinvestment Act (CRA) record and lending to first-time homebuyers. By regulation, each FHLBank member, if subject to CSP review, must submit a completed Community Support Statement (CSS) once every two years. FHLBank Indianapolis last collected CSS from members in 2021. FHLBank Indianapolis will ensure completion of the Community Support Program throughout 2023.

Voluntary Grant Programs

The housing programs and products listed above are instrumental to members supporting their communities' affordable housing needs. To provide members with more resources and tools to support additional community economic development needs of the communities they work in, FHLBank Indianapolis developed a series of voluntary grant programs.

Elevate Small Business Grant

The Elevate Small Business Grant is a voluntary funding program developed to help FHLBank Indianapolis members support small businesses throughout Indiana and Michigan. Small businesses partner with members to request up to \$20,000 for capital expenditures including real estate, machinery and equipment, technology and workforce training. To qualify, small businesses must be in Indiana or Michigan, must have been in business for at least 12 months and must have revenue under \$1 million.

Elevate continues to be a popular Community Investment program offering. In 2022, the program experienced the largest number of submitted applications with the greatest number of member financial institutions participating to date. FHLBank Indianapolis awarded grants to 27 businesses for a total of \$507,825. With the popularity of the program and available funding in 2022, FHLBank Indianapolis was able to fund 16% of applicants with an award. Seventy percent of awarded businesses were certified minority-, women-, veteran- or disabled-owned. The majority of projects included plans for operational expenses, machinery or equipment purchases, workforce development, technology enhancements, and facility improvements, as well as business expansion, with most awarded businesses in retail, professional services and beverage manufacturing industries.

SUPPORT FOR 2023 PROGRAM ADJUSTMENTS

Given the increasing popularity of the program among small businesses and members since the Elevate Small Business Grant Program started in 2018, FHLBank Indianapolis is considering increasing the total amount of funds allocated to the program.

Community Mentors Program

The Community Mentors Program is a community engagement and economic development leadership event hosted in partnership with FHLBank Indianapolis to build partnerships between members and community leaders. Each year, two qualified applicants (one in Indiana and one in Michigan) are selected through a competitive application process to be the lead partner and host a day-long Community Mentors Workshop. FHLBank Indianapolis helps bring in experts in economic and community development as mentors to share best practices in developing or implementing a community development plan. A \$10,000 grant is awarded to each community to help with a catalyst project of local importance following the workshop.

In 2022, FHLBank Indianapolis awarded one Community Mentors grant to the 49507 Zip Code of Grand Rapids, Mich., and the other to the neighborhoods of South-Central Elkhart, Ind. The Michigan workshop was hosted in partnership with the applying member and community partner to address the housing needs specific to the 49507 Zip Code. The Indiana workshop was hosted in partnership between the local member and neighborhood community center to address financial wellbeing, housing opportunities and supporting youth in the South-Central Elkhart neighborhoods.

Disaster Relief Program

The FHLBank Indianapolis has utilized the Disaster Relief Program twice in the past six years, with the most recent use in 2020. However, to be more responsive and nimbler to natural disasters, FHLBank Indianapolis has allocated a portion of voluntary dollars to be reserved for disaster relief.

Minority Down Payment Assistance

In response to the district's homeownership gaps discussed in the Market Needs Assessment section, FHLBank Indianapolis is in the process of developing a down payment assistance program specifically targeted to qualifying minority households, with the intended launch to take place in the Fall of 2023.

Stepping Up

The Bank has contributed voluntary dollars that will add up to \$499,999 to cover the last complete Elevate and AHP awards.

4. DIVERSITY, EQUITY AND INCLUSION

FHLBank Indianapolis supports diversity, equity and inclusion throughout its affordable housing and community investment program initiatives through several different strategies and activities. Two representatives from the FHLBank Indianapolis' Community Investment department are on the Office of Diversity, Equity and Inclusion Council for the Bank and ensure the objectives, goals and strategies of the Bank's DEI Strategic Plan are carried out. In 2022, Community Investments supported diversity, equity and inclusion through:

- Developing a strategy on how to best support diverse development team members involved with AHP and Homeownership Initiatives.
- Expanding outreach and partnership opportunities to promote Elevate to minority owned small businesses.
- Exploring opportunities to support financial literacy education to minority populations.

5. OUTREACH AND TRAINING

2022 Outreach and Training

Successful execution of all the Bank's CID programs and products relies significantly on building partnerships amongst members and community partners. This requires several different marketing efforts, outreach and training opportunities depending on the audience. To understand the level of engagement a member needs, and to better direct the appropriate marketing, outreach, and training, Community Investments tracks member utilization of programs and products. In 2022, 113 members indicated interest in participating in one or more Community Investment program or product. Of those, 88 submitted an application or took an advance.

Various outreach and training efforts were conducted in 2022 in collaboration with Community Investment staff, Outreach Partners, and the Business Development Department to achieve the following outcomes:

- **Increase Participation in CID Programs:** Outreach efforts focused on strengthening partnerships with municipal and state agencies and leveraging their networks, utilizing a CID investment mapping tool, collecting utilization data across members and prioritizing direct outreach accordingly.
- **Educate and Increase Member and Partner Capacity:** CID staff offered a variety of training sessions across all CID programs in 2022, including the launch of a new community development training program entitled "Community Catalyst Training" in January.
- **Address District Needs:** In addition to providing partnership opportunities for members through formal CID programs, the Bank created opportunities for additional investment and partnership through the Community Mentors program and through sponsoring AHP networking events in both Indiana and Michigan.
- **Expand Presence in Detroit:** The Bank has hired additional staff and opened a Detroit Hub office. CID efforts have focused on building and strengthening partnerships with local development teams, public agencies and CDFIs, identifying members interested in the Detroit market, as well as connecting non-profit partners with members interested in allocating grant dollars within the city limits.
- **Increase Technology Efficiency:** To enhance the application and programmatic experience of members and sponsors, CID staff implemented the FHLBI.GIVES module for competitive AHP, Elevate and CIP.
- **Enhance Programs for Members and Partners:** Surveys were issued to members who participate in Homeownership Initiatives and CIP. CID staff plans to incorporate specific feedback from those survey results that helps enhance the program experience for both members and community partners for these programs.

2023 Outreach and Training

The 2023 marketing, outreach and training strategy focuses on continually supporting members and helping them develop capacity and partnerships to utilize CID programs and products. The following illustration outlines the strategy Community Investment will follow to help achieve this.



6: 2022 GOALS AND ACCOMPLISHMENTS

Goals	Accomplishments
<p>Originate \$75 million to \$150 million in CIP advances and letters of credit.</p>	<p>In 2022, CIP originations totaled \$519 million. Advances totaled \$228 million and CIP-related letters of credit (including interest) totaled \$292 million.</p>
<ul style="list-style-type: none"> ▪ Expand the impact of all CID programs and products by supporting participants and assisting in building partnerships 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. <ul style="list-style-type: none"> ○ 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 housing non-profits. ○ Maintain engagement of 90-100 members who are engaged with Community Investment program and product offerings through: <ul style="list-style-type: none"> ▪ Registering to participate in Homeownership Initiatives. ▪ Submitting an Elevate Master Agreement. ▪ Submitting an AHP Pre-Application. ▪ Applying for CIP Advances. ▪ Applying for the Community Mentors Program. ○ Provide outreach and follow-up to all members who indicate their intention of participating in CID programs and products through Homeownership Registered Users, Elevate Master Agreement or AHP Pre-Application, but do not move forward with applying for funding. 	<ul style="list-style-type: none"> • In 2022, 113 member financial institutions were engaged with community investment products. • In 2022, all members were contacted through 10 Community Investment Bulletins, and the Affordable Housing Advisory Council Annual Report was posted to our public website. The member e-newsletter distributed by the Marketing Department typically includes Community Investment Department (CID) features. • 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. • In 2022 CID workshops were virtual events. Homeownership Initiatives = 344 attendees, Economic Development = 75 attendees, AHP = 167 attendees. • CID staff has presented program information at numerous conferences and webinars during the year, including the Building Michigan Communities Conference and the Urban Land Institute- Indiana. • Ongoing outreach occurs through numerous member and sponsor visits to address individual projects and potential opportunities. • AHP applications were received from six members using AHP for the first time and/or reactivated members who have not submitted an application in the preceding five years. • Two members became a new set-aside participant. • Six members became new Elevate participants. • Two members became new CIP participants. • We released a CICA/CIP module of FHLBI.GIVES in early 2022. Targeted CICA/CIP rebranding is expected for 2023 following discussions with Business Development and Legal.

Goals	Accomplishments
<ul style="list-style-type: none"> ○ Consider rebranding of CICA / CIP to help improve marketing of the loan product. 	
<ul style="list-style-type: none"> ▪ Seek ways to support organizational capacity including enhancing operational funding and staff resources. <ul style="list-style-type: none"> ○ Convene one workshop each in Indiana and Michigan focusing on building partnerships between members and community partners, housing providers, and developers to ensure relationships are made to best utilize our funding. ○ Develop and convene at least one Community Catalyst Training Series to focus on member financial institutions with interest in housing finance and community investment to cultivate champions among member staff representatives and support peer to peer learning. Adapt outreach messaging for different member charter types and address member concerns for reputational risk. 	<ul style="list-style-type: none"> • The Community Investment Department hosted a networking event in each state to help build partnerships amongst members and community partners. The Michigan event was held May 12,2022, in Detroit and attended by 60 people. The Indiana event was held Nov. 9, 2022, in Indianapolis and attended by 64 people. • The Community Catalyst Series was launched in the beginning of 2022 with 17 participating members with a total of 30 participants. The series included four separate sessions offered through January and February covering the following topics: <ul style="list-style-type: none"> ○ Introduction to affordable and community development financing. ○ Relationships needed for affordable housing and community development. ○ Member involvement in different projects. ○ How members build out and support a program in their organization.
<ul style="list-style-type: none"> ▪ Expand the impact of Community Investment Voluntary Initiatives with a strategic approach driven by our outreach goals, stakeholder preferences and district needs. <ul style="list-style-type: none"> ○ 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. Evaluate the application process based on lessons learned from the pilot year. ○ Work toward receiving Elevate applications of higher quality from a wider pool of member financial institutions by continuing to evaluate the structure of the program, marketing the program directly to member staff who interact with small businesses and involving statewide economic development agencies. ○ Incorporate Community Spirit Award winners into the Shareholder Symposium and other events. 	<ul style="list-style-type: none"> • As described above, in 2022, we awarded Community Mentors grants to the 49507 Zip Code of Grand Rapids, Mich., and to South Central Elkhart, Ind. Both were awarded a \$10,000 implementation grant. • The Elevate program experienced the largest number of submitted applications with the greatest number of member financial institutions participating to date. The Elevate program was marketed strategically to members as well as community partners and state agencies across Indiana and Michigan. • We updated our Community Spirit Award nomination form and application evaluation measures. Both Michigan and Indiana winners were announced during the virtual 2022 Shareholder Symposium.

Goals	Accomplishments
<ul style="list-style-type: none"> ▪ Build off the momentum gained in the Detroit market and activate Detroit Hub. <ul style="list-style-type: none"> ○ Continue to expand activity of experienced AHP members into the Detroit market. ○ Continue to foster partnerships between members and strong Detroit housing non-profits to work together on set-aside programs. ○ Continue to expand activity of experienced Elevate members into the Detroit market and increase the number of high-quality Elevate applications from Detroit-based businesses. ○ Continue to build partnerships with Detroit-based organizations focused on DEI efforts. 	<ul style="list-style-type: none"> • Developed a yearlong strategy to activate the space through member engagement, community partnership and state agency collaboration • We received 14 AHP Intent to Apply indications from Detroit-based projects and eight final applications, a significant increase from 2021. • We engaged five new members to submit a final AHP application in Detroit. • New partnerships were formed between members and community partners to help increase the homeownership grant dollars allocated to the city. • We increased the number of high-quality applications from Detroit-based businesses as well as diversified the members that sponsored Detroit-based applications that received an award. • We partnered and sponsored Capital Impact Partner's Equitable Development Initiative.
<ul style="list-style-type: none"> ▪ Support diversity, equity and inclusion in programs that support affordable housing and community development. <ul style="list-style-type: none"> ○ Develop strategy on how to best support diverse development team members involved in AHP and Homeownership Initiatives. ○ Develop strategy to support financial literacy education to minority populations. ○ Expand outreach and partnership opportunities to promote Elevate to minority owned small businesses. 	<ul style="list-style-type: none"> • AHP staff presented at the Indiana ULI Real Estate Diversity Initiative (REDI) training series where FHLBank Indianapolis is a sponsor and continues to identify opportunities to support emerging developers throughout the district. Additionally, Community Investment staff are creating a program to further support minority homeownership opportunities. • CID, in partnership with the Office of Diversity, Equity and Inclusion has developed a strategy to expand our role in supporting financial literacy amongst community partners and our members for 2023. • CID expanded partnerships with Mid-States Minority Supplier Development Council and Michigan Minority Supplier Development Council to help market Elevate to their qualifying diverse members.

7: 2023 GOALS

Lending

- Originate \$250 million in CIP advances and letters of credit.

Member Engagement

- Ensure that 90-100 members are engaged with AHP, homeownership initiatives, small business grants, community mentors and other voluntary programs.
- Evaluate branding and marketing strategies for all Community Investment Products.

Outreach and Education

- Provide at least 50 outreach and technical assistance meetings with members and community partners.
- Participate in a minimum of 15 housing and/or economic development conferences (in person or virtual).
- Identify one underserved geography in each state to broaden partnerships with members and community partners.

Diversity, Equity and Inclusion

- Develop a strategy on recognizing our member institution's DEI initiatives and efforts.
- Expand outreach and partnership opportunities to promote Elevate to minority-owned small businesses.
- Implement a Special Purpose Credit Program that provides down payment assistance to targeted demographics.

Operational Excellence

- Engage 10 members/sponsors to provide feedback on FHLBI.GIVES system to incorporate enhancements.
- Conduct four internal meetings to discuss community investment program process improvements.