

# TARGETED COMMUNITY LENDING PLAN

2024



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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 or the Bank) 2024-2026 Strategic Business Plan, the 2024-2026 DEI Strategic Plan, the 2024 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 (Advances, MPP, Community Driven Activities, and Capital and Balance Sheet Management) that are designed to deliver results while carefully balancing our risk appetite. 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.

On Nov. 7, 2023, The Federal Housing Finance Agency released the report “FHLBank System at 100: Focusing on the Future” for all Federal Home Loan Banks. The report is the Agency’s comprehensive review of the Federal Home Loan Bank system in anticipation of the System turning 100 in 2032. The report provides recommendations on how the FHLBank System could effectively fulfill its mission. FHLBank Indianapolis utilized the report to seek alignment with the strategies identified in the Targeted Community Lending Plan.

## 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 a housing and community needs assessment in 2023. The “Bridging the Gap: Housing and Community Needs in Indiana and Michigan” Needs Assessment report (Needs Assessment) provides a comprehensive analysis of affordable housing and community development needs across the district by evaluating a variety of sources including national, regional and state quantitative data along with qualitative data from existing studies and reports. The Needs Assessment also collected community and affordable housing industry feedback from focus groups, stakeholder interviews and an online survey of stakeholders. Throughout the development of the Needs Assessment, guidance and input from the Affordable Housing Advisory Council was considered. The Executive Summary and Recommendations of the Needs Assessment is provided in this section. The entire Needs Assessment along with additional Community Investment program, state, district and regional research was used to inform the FHLBank Indianapolis’ strategy to help address affordable housing and community development needs. The complete Needs Assessment can be found on the Bank’s website, <https://www.fhlbi.com>.

### Housing Market Conditions

The COVID-19 pandemic of 2020 unpredictably and dramatically increased housing prices throughout the district. As a result, housing affordability problems have reached middle income households in high-priced markets, while low-cost markets – disproportionately low-income communities of color – are losing their supply of “naturally affordable” housing stock.

Low-income residents are now at a greater risk of displacement and even homelessness because housing utilizes an excessive portion of their income, leaving little for other necessities like food and healthcare.

Non-profit organizations and the public sector have more opportunity to revitalize undervalued areas in partnership with private interests. However, reinvestment activity should preserve existing affordable housing to mitigate the threat of gentrification. Housing prices and construction costs have increased across the board throughout the U.S., including the FHLBank Indianapolis district. But in the larger context, home prices are less expensive in Indiana and Michigan than in most of the country. According to the Needs Assessment, America’s housing market has become so expensive for the average household that the Midwest may benefit from its ample supply of affordably priced homes by attracting new residents outpriced in their hometown markets.

### Affordability

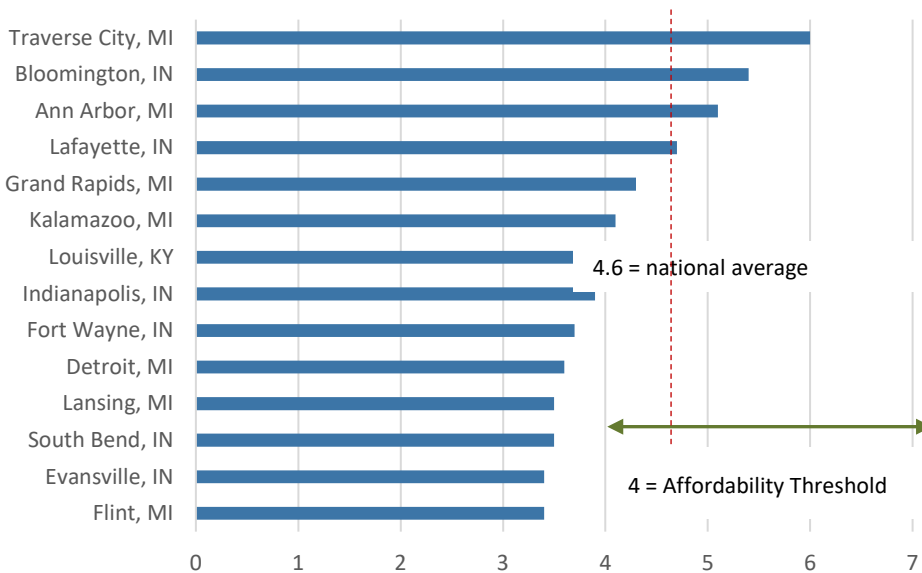
Between 2019 and 2023, the average home price in the U.S. increased 48% and the typical rent increased 30%, according to Zillow, ZVHI and ZORI databases. Wages were also going up during this same time (11% rise), but not enough to keep up with housing prices, as shown in the American Community Survey 2017-2021. As a result, housing affordability is a major problem in most American metro areas.

The housing markets in the district follow national trends, with home prices increasing between 30% and 40% during this period. Because the prices were lower than the national average to begin with, housing in the district is still relatively affordable with notable exceptions.

When comparing home prices to median income (a standard test for affordability), Lafayette and Bloomington in Indiana and Traverse City and Ann Arbor in Michigan, are unaffordable housing markets as detailed in the chart below.

Housing advocates in these markets are describing an affordable housing “crisis,” where the local workforce cannot afford rent and middle-income families cannot afford to buy a home. The data validates these claims; these four market areas have a bigger affordable housing problems than the national average as supported by the American Community Survey 2017-2021 and Zillow ZHVI.

### Home Price to Income Ratio Measuring Affordability in Housing Markets within the District, 2023



Sources: ACS 2017-2021 and Zillow ZHVI

Meanwhile, distressed communities with historically low property values are now finding affordability to be the primary housing issue.

Non-profit organizations surveyed for the Needs Assessment are reporting first-time homebuyer program participants are being priced out of the market. Additionally, tenant advocacy groups who shared during focus groups for the Needs Assessment are decrying extreme rent hikes as a means toward gentrification. According to “Fair Housing Center of Central Indiana, The State of Fair Housing in Indiana – Our Changing Neighborhoods: The Impact of Investors, Foreclosures, and Mortgage Lending, 2022,” more than half the home mortgages underwritten in neighborhoods surrounding downtown Indianapolis were for households that earned twice the neighborhood median income.

Historically undervalued neighborhoods of Detroit and Indianapolis that are predominantly communities of color are experiencing this challenge while Gary, Ind. and Flint, Mich. have some of the highest price increases since the

pandemic where the typical home price increased more than 50% in these two markets in just three years, based on Zillow ZHVI data.

An issue impacting Indiana and Michigan is the loss of “naturally affordable” housing. These are homes in the marketplace, without any government subsidy, which are affordable for low- and moderate-income households. As prices have skyrocketed, the supply of these units has sharply declined since 2020.

Additionally, many subsidized apartments managed by housing authorities or with Low Income Housing Tax Credits are aging and will require substantial renovations to remain in use. There are approximately 30,000 tax credit units with expiring affordability contracts in the next five years in the district. These developments are at risk of converting to market rate without additional subsidy.

Development costs are also more expensive due to material and labor shortages, higher acquisition costs and high interest rates. Between 2021 and 2022, development costs per unit increased between 11% and 14%. It now costs \$250,000 to \$300,000 to build a one-bedroom apartment and \$350,000 to \$400,000 to build a modestly sized single-family home in the district based on RSMeans Data, a database of current construction cost estimates.

### Construction Costs in Market Areas within the District, 2022

	Cost per square foot		
	Multi-Family	Single Family	1-Year Change
Detroit	\$323.39	\$213.38	11.9%
Flint	\$301.60	\$199.00	11.5%
Lansing	\$304.64	\$201.01	11.3%
Grand Rapids	\$294.92	\$194.60	11.4%
Indianapolis	\$301.53	\$198.96	13.0%
Gary	\$322.39	\$212.72	9.9%
South Bend	\$299.73	\$197.77	12.1%
Fort Wayne	\$289.87	\$191.26	13.8%

Source: RS Means

With development costs this high, affordable housing developers are finding it increasingly difficult to finance new projects even with subsidy.

This is a major challenge in areas with a shortage of rental housing. College towns, retiree communities and rural areas do not have enough apartments to support existing residents and workers. The challenge of adding new rental units in these markets extends beyond development costs. Community opposition, zoning problems, lack of infrastructure and limited development capacity, make it difficult to build new apartments in places like Traverse City, Mich. Bloomington, Ind. and rural employment hubs.

Rehabilitation of existing homes may be a more viable solution for increasing affordable housing stock. Detroit Future City analyzed development costs for community-driven home rehabilitation programs in the city. Among nine case studies from Detroit Future City and Enterprise Community Partners, “Rebuilding Home: Community-Driven Single-Family Rehabilitation Models for Long-Term Stability,” Oct. 2020, stated home rehabilitation costs per square foot were 30% - 50% lower than new construction.

The problem with home rehabilitation programs is that the cost of rehabilitation, although lower than new construction, is often higher than the property’s market value once the project is complete.

## Housing and Discrimination

Homeownership rates are remarkably higher for White families (76%) compared to all other minority groups in the district. The homeownership rate for Asians and Latino households is just over 55%; the homeownership rate for Black households is 40% according to the HUD Comprehensive Housing Affordability Strategy released in 2023.

This disparity cannot be explained by income. Among households earning less than 50% of AMI, more than half of White households are homeowners compared to just 25% for Black households; 33% for Asian households; and 36% for Latino households. This limits wealth-building opportunities for minority groups and increases exposure to housing insecurity. Renters are subject to rent increases that may become unaffordable as markets change.

As indicated in the table below; low-income renters, especially those earning between 30% and 50% of AMI, have a much higher risk experiencing housing challenges than low-income homeowners. Because the homeownership rate is lower among minority groups, Black, Asian and Latino households experience more housing insecurity regardless of income.

### Households Experiencing Housing Challenges in the District by Income Level and Race/Ethnicity in the District

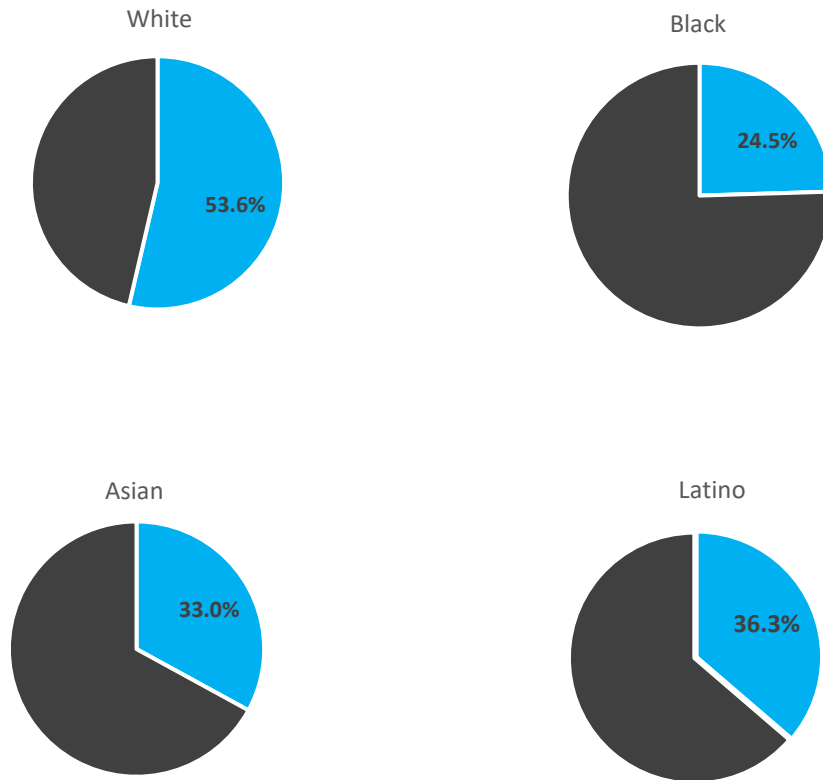
OWNERS	White	Black	Asian	Latino	All
<30% AMI	75.6%	75.6%	76.3%	73.0%	75.5%
30% - 50% AMI	50.1%	50.3%	55.6%	48.6%	50.1%
50% - 80% AMI	26.4%	28.4%	37.3%	27.8%	26.8%
80% - 100% AMI	13.0%	14.0%	24.7%	12.8%	13.2%
>100% AMI	3.4%	4.2%	6.7%	5.3%	3.5%
All	17.2%	26.8%	20.0%	23.3%	18.1%

RENTERS	White	Black	Asian	Latino	All
<30% AMI	76.1%	74.9%	66.0%	81.9%	75.8%
30% - 50% AMI	73.3%	78.7%	83.9%	75.4%	75.0%
50% - 80% AMI	32.5%	35.2%	40.4%	31.0%	33.2%
80% - 100% AMI	10.3%	11.3%	20.9%	11.4%	10.8%
>100% AMI	4.8%	4.8%	10.3%	6.3%	5.3%
All	41.8%	53.1%	38.3%	48.4%	44.8%

Source: HUD CHAS 2016-2020 released 2023

Several organizations who participated in the focus groups for the Needs Assessment and who are listed in that Assessment in the “Contributing Organizations” section described the societal impact of “redlining,” or discriminatory lending practices before the 1970s that kept households of color (especially Black) removed from a formal banking system altogether. They noted the lack of trust in banks or knowledge of wealth management continues to be an issue in many low-income communities of color who are more vulnerable to predatory lenders and higher fees charged by check cashing services.

## Homeownership Rate by Race/Ethnicity for Households Earning Less than 50% of AMI in the District



Source: HUD CHAS 2023 release

## Evictions

According to the data collected through the Needs Assessment, it suggests the upward pressure of the housing market has a domino effect; when households move to neighborhoods or cities more affordable to them, they raise the prices for everyone else. This pattern continues until the least expensive pool of housing units is reached. When the rents increase for these units, the existing renters do not have more affordable housing options to move into. They face the greatest risk of evictions and homelessness.

According to the National Low Income Housing Coalition, "Children Face Highest Risk of Eviction," Oct. 10, 2023, based on a study sponsored by Princeton University's Eviction Lab, evictions disproportionately impact children and Black families; 40% of all individuals issued an eviction are children. Black renters are four times more likely to



be evicted than White renters. Alarming, 12% of Black families with children are evicted every year, three times higher than White families with children.

Providing support to very low-income families when rent prices have skyrocketed has become increasingly important to prevent evictions and homelessness. This includes emergency rental assistance, mediation services between tenants and landlords and improved tenant protections to stop arbitrary evictions or aggressive rent increases.

Providing services for persons experiencing homelessness or who otherwise need support is also more difficult. Without low-cost permanent housing for the formerly homeless to transition into, they remain in shelters and temporary housing that could be available to those without shelter.

## Individuals and Families Experiencing Homelessness

People without permanent shelter have the greatest housing need. The extent of the challenge is difficult to quantify because many homeless individuals are transient and unseen. According to HUD's Point in Time (PIT) Survey, there were nearly 13,000 homeless individuals in the district in 2022 and 21% were children.

The U.S. Department of Education also tracks children without permanent addresses, which includes the unsheltered, children living in shelters or transitional housing, and children precariously housed (e.g. couch-surfing, living in an RV, or living in a temporary motel). In the 2021-2022 school year, there were 45,000 school-aged children in the district without a permanent home.

According to stakeholder participants listed among the "Contributing Organizations" in the Needs Assessment, two additional demographic groups are at greater risk of homelessness that require more supportive services. The first group, formerly-incarcerated individuals, face exceptional hurdles in securing employment and housing. Public and subsidized housing often excludes anyone with a felony record; if their family members live in federally subsidized housing, they are not able to move home while they reestablish themselves in the community.

The second group, people struggling with addiction disorders, have high relapse rates after treatment due to the short treatment plans that Medicaid covers and the exposure to drugs and alcohol immediately after being released from treatment.

In both cases, stakeholders recommended more targeted programs with case management, mental health support and life coaching.

## Recommendations

The findings of the Needs Assessment, using hard data and feedback from affordable housing industry leaders and advocates active in the region, indicate three overarching goals:

- Stabilize housing prices for "naturally affordable" markets, particularly in low-income communities that may face displacement pressure and high-priced markets where the affordable housing shortage is severe. This may include targeted acquisition in areas which remain affordable through land trusts or non-profit led land banking and prioritizing community development initiatives that work to address this issue.
- Find ways to minimize funding gaps between the cost of construction or rehabilitation and the resources available. This may include increasing gap financing to account for rising interest rates and material costs,

focusing on projects with lower development costs (like rehabilitation of existing units) and increasing the number of grants and loans per project.

- Increase the homeownership rate among households and communities of color. This may include expanded community engagement in neighborhoods of color; streamlined and improved lending products for first-time buyers and exploring alternative homeownership models including sweat equity programs, Section 8 homeownership programs and multi-generational homeownership programs.

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## 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.



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

Source: Central Michigan University

As of Dec. 11, 2023, 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.

As mentioned in the Needs Assessment, federal investments in affordable housing on tribal lands were chronically underfunded for decades and Native Americans in tribal areas have some of the worst housing needs in the United States. In 2023, FHLBank Indianapolis worked closely with the Michigan State Housing Development Authority to identify partnership opportunities to jointly address affordable housing needs for the 12 federally recognized

Tribes that share geographic boundaries in Michigan. FHLBank Indianapolis has a goal to implement a voluntary initiative in 2024 to support affordable housing and community development in tribal communities.

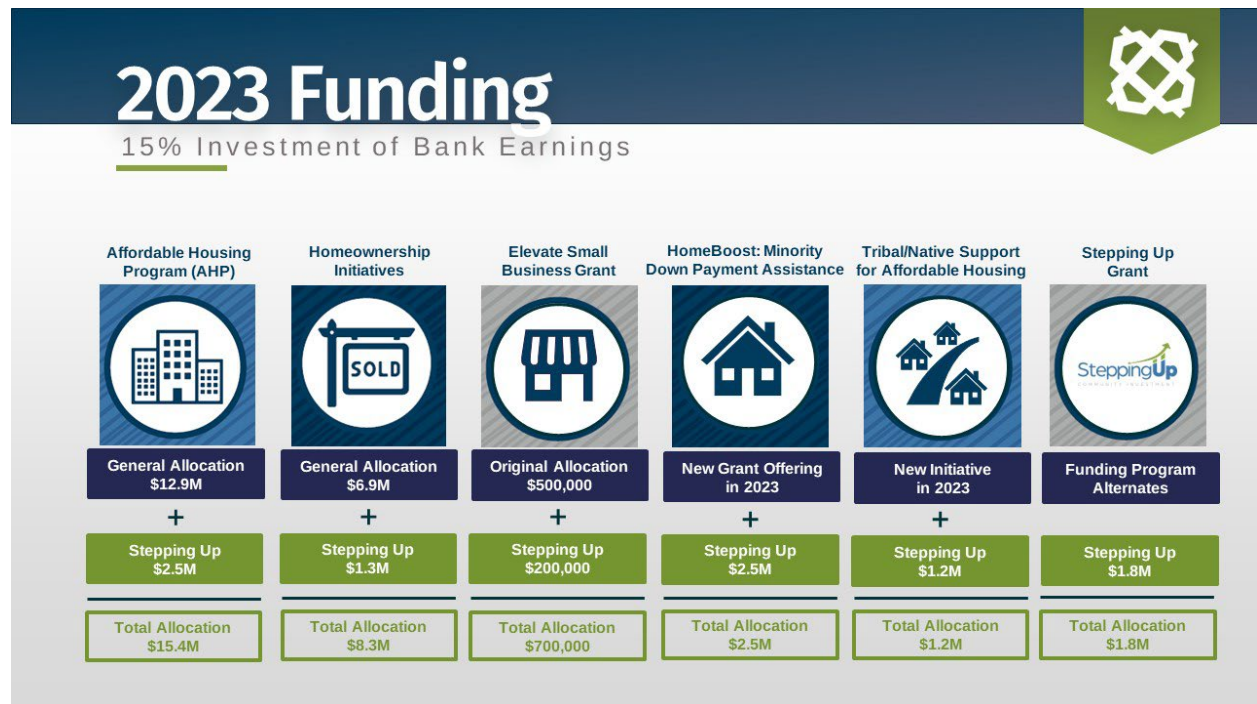
## 3: COMMUNITY INVESTMENT PROGRAMS AND PRODUCTS

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.

### Stepping Up

By regulation, every FHLBank must contribute at least 10% of its prior year’s net earnings on an annual basis to fund its housing allocation, which for FHLBank Indianapolis, includes funding for the Competitive AHP and Homeownership Initiatives programs. Recognizing the increased challenges in housing affordability and supported by the Market Needs Assessment, FHLBank Indianapolis voluntarily committed to increasing an additional 5% of its earnings to affordable housing and community development initiatives. The chart below shows the impact made through Stepping Up investments in 2023.



As indicated throughout this report the needs to address affordability in our district continues to increase. That is why FHLBank Indianapolis stepped up its investment in 2023 and will further contribute 5% of its earnings in 2024 to help address housing and community development for vulnerable and underserved communities throughout the district. The additional impact made from Stepping Up investments in 2023 and the opportunities in 2024 is highlighted in this section.

## Competitive Affordable Housing Program (AHP)

FHLBank Indianapolis allocates 65% of its total housing allocation to the competitive Affordable Housing Program (AHP). This program offers grants 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 response to the significant increases in construction and labor costs in 2022, the Bank increased its maximum grant award from \$500,000 in 2022 to \$600,000 in 2023. 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.

2023 AHP Funding Round	# of Projects	# of Units	AHP Requested
Applications	71	2,234	\$31.5M
Awards	36	1,371	\$17.3M

As the table illustrates above, the demand for AHP grant funding continues to far exceed the allocation available from FHLBank Indianapolis, as is the case every year. In 2023, FHLBank Indianapolis awarded \$17.3 million in AHP grants to 36 projects. This included the

additional voluntary funding contribution of \$4.3M that allowed the Bank to award 10 more projects than what was regulatorily required. Six awards went to homeownership projects, while the remaining 30 projects were a form of rental housing. Most projects were developed by non-profit organizations and located near transportation, healthy and nutritional food facilities, and community amenities. All funded homeownership 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. At least 20% of homes constructed in all funded homeownership projects had three bedrooms or more and all were being developed by non-profit housing developers. More than half the awarded rental projects provide housing for extremely low-income individuals and half of all funded projects provided a form of rental subsidy. Additionally, 61% of awarded projects serve a special needs population and 17% of projects serve housing for the homeless. Thirty-six percent of projects were in rural areas of the district.



FHLBank Indianapolis funded an additional 10 projects for

**\$4.3M**

Members continue to support AHP projects, not only through application submission, but also by participating financially in the project. Ninety-four percent of projects received either a financial donation, interim and/or construction financing from the member financial institution submitting the application.

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#### SUPPORT FOR 2024 I-PLAN ADJUSTMENTS

Given the substantial cost increases seen in construction materials and labor in 2023, as well as the volatile interest rate environment, there has been a significant rise in construction costs and operating expenses per unit across AHP developments. Due to these increases and the project costs increases noted in the Market Needs Assessment, FHLBank Indianapolis is considering increasing maximums in total AHP award amount and subsidy per unit.

To better support the Native American and Tribal Communities throughout the district, FHLBank Indianapolis is considering introducing a Native American Housing scoring component. This would help support projects that are developed by a federally recognized tribe or tribal-designated housing entity, within the service area of the tribe, and set aside housing for tribal members or descendants.

As indicated in the Needs Assessment, rural affordable housing is more difficult to build than urban markets and a large share of rural households live in poverty and are seniors on fixed income. Therefore, FHLBank Indianapolis is considering increasing points for rural housing.

To further encourage FHLBank Indianapolis member financial institutions to assist affordable housing projects with affordable financing, the Bank is considering expanding the Member Financial Involvement point category to recognize projects utilizing a CIP Advance product for construction and/or permanent financing.

As Bank staff continues to look for ways to support, promote and incentivize homeownership projects, the removal of points awarded for rent subsidy and reduction of points awarded for rental housing for extremely low-income individuals is being considered. Currently these are scoring categories in which homeownership projects cannot compete. The removal/reduction of points in these categories may help move toward the leveling of the playing field between homeownership and rental applications.

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## 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 2023, funding was made available in two releases of funds for 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.



FHLBank Indianapolis funded an additional 130 households for

**\$1.3M**

The first release of funding was made available for the Homeownership Opportunities Program (HOP) on March 1, 2023. \$500,000 was made available on a first-come, first-serve basis to ensure down-payment assistance was more readily available for qualified homebuyers in the district, especially during the competitive spring real estate market. This round of funding was exhausted by April 19. The second release of Homeownership Initiatives funding was made available beginning May 15 for all three set-aside programs. The remaining pool of available funds allocated to the program (\$7.8 million) was exhausted by Sept. 12.

2023 Set-Aside Programs	Total Awarded	# of Households Assisted	Maximum Award	Average Household Income
HOP	\$1.5M	149	\$10,000	\$44,649
NIP	\$6.1M	682	\$10,000	\$29,539
AMP	\$802,000	87	\$10,000	\$30,381
Total	\$8.4M	918	N/A	\$32,072

## Homeownership Opportunities Program (HOP)

The Homeownership Opportunities Program (HOP) provides grants 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 38% of the total household gross income.

As the table above illustrates, a total of 149 first-time homebuyers were assisted with HOP funding in 2023. On average, these homebuyers earned 65% Area Median Income. The average contract sales price for homes being purchased with assistance from HOP was around \$141,500 with the average mortgage around \$129,000.

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### SUPPORT FOR 2024 I-PLAN ADJUSTMENTS

As the Needs Assessment recommends strategies to increase homeownership rates among households in the district along with the competitive housing market, especially for households under 80% AMI, FHLBank Indianapolis is considering several adjustments to the 2024 program, including:

- Increasing the maximum award amount for the Homeownership Opportunities Program.
- Increasing the Member Cap to allow members to maximize the number of households they can assist.
- Allow Member REO properties to be purchased as they can offer more affordable housing options.
- Aligning the first-time homebuyer definition with the HUD Mortgage Application definition.
- Reducing barriers to purchasing a home by reducing the amount of homebuyer contribution required, not requiring the homebuyer to have completed one full year of employment prior to application and allowing non-arm's length sales transactions.
- Increasing the PITI (Principal, Interest, Taxes, and Insurance) ratio requirements.

## Neighborhood Impact Program (NIP)

The Neighborhood Impact Program (NIP) provides grants of up to \$10,000 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, 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 2023, a total of 682 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 2023	
1.	Roofing/Soffits/Fascia
2.	Windows
3.	Repair/Replace HVAC
4.	Exterior Doors
5.	Siding

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## SUPPORT FOR 2024 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.

Additionally, FHLBank Indianapolis is considering increasing the Member Cap to allow members to maximize the number of households they can assist.

To further reduce barriers for households to receive funds to make necessary home repairs, FHLBank Indianapolis is considering the following adjustments to the 2024 program:

- Removing the requirement that no changes to the title have occurred in the preceding six months.
- Removing the requirement that the area of a home-based business cannot be covered by grant funding.
- Allow grant dollars to repair garages, regardless of whether they are detached.
- Broadening the repair items that are covered by grant funds.

## 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, 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, 87 homeowners made accessibility modifications or repairs with AMP funding in 2023. Of those, about 83% were for senior households and the remaining 17% for households with disabilities.

Additionally, 36% of senior households were also qualified as disabled households. On average, these households earn 45-55% of their Area Median Income. Most grant funds allocated for AMP went towards bathroom modifications.

Most Popular AMP Repairs in 2023	
1.	Bathroom Modifications
2.	Ramps for Accessibility
3.	Universal Design Floor Coverings and Ramps

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#### SUPPORT FOR 2024 I-PLAN ADJUSTMENTS

To further reduce barriers for households to receive funds to make necessary accessibility modifications regardless of evidence of age or disability and to optimize administration efficiencies, FHLBank Indianapolis is considering merging the Accessibility Modification Program (AMP) into the Neighborhood Impact Program (NIP), therefore AMP would no longer exist as a stand-alone program. Eligible repairs under AMP will still be available through NIP, but the age, state restriction and proof of disability requirements would be removed.

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## 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 2023, FHLBank Indianapolis members used Community Investment Program (CIP) advances and letters of credit totaling \$276 million to fund projects across the country. These CIP products were predominately used to support affordable housing developments and mortgage portfolio funding.

No adjustments to the CIP Advance program are anticipated in the 2024 I-Plan.

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## 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. In 2023, FHLBank Indianapolis collected CSS from members, with two members not meeting the full requirements.



These members will be eligible again once their FHFA's determination results have been addressed. FHLBank Indianapolis will ensure completion of the Community Support Program again in 2025.

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## 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.

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### SUPPORT FOR 2024 PROGRAM ADJUSTMENTS

As mentioned previously, FHLBank Indianapolis is stepping up its community investments by 5% over the required 10% of earnings. The Needs Assessment identified several opportunities for the Bank to consider investment to help support the community needs in the district. In addition to the voluntary grant programs described in this section, the following voluntary investment areas are being considered for 2024, with other voluntary program options considered if relevant:

- Emerging and minority developer support
- Small scale development opportunities
- Supporting Community Development Financial Institutions (CDFIs)
- Land trusts and land banks support
- Operational support for housing and/or community development related non-profit organizations

## 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 2023, 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 38 businesses for a total of \$705,130. With the popularity of the program and available funding in 2023, FHLBank Indianapolis was able to fund 16% of applicants with an award. Seventy-nine 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.

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### SUPPORT FOR 2024 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 2023, FHLBank Indianapolis awarded one Community Mentors grant to Benton Harbor, Mich., and the other to Elkhart County, Ind. The Michigan workshop was hosted in partnership with the community partner and member to address housing needs, land trusts and land use issues in Benton Harbor. The Indiana workshop was hosted in partnership between the local member and community partner to address rural transportation issues in Elkhart County.

## Disaster Relief Program

The FHLBank Indianapolis has utilized the Disaster Relief Program twice in the past seven 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.

## HomeBoost: Minority Down Payment Assistance

FHLBank Indianapolis developed a Special Purpose Credit Program plan in 2023 to support the launch of its pilot program HomeBoost: Minority Downpayment Assistance Program (HomeBoost). HomeBoost provides down-payment assistance to those who:

- are first-time homebuyers;
- identify as Black or African American, Asian, Hispanic, Indian American or Alaska Native, and/or Native Hawaiian or Other Pacific Islander;
- have a household income at or below 120% of the local Area Median Income; and
- intend to purchase a primary residence in Indiana or Michigan

FHLBank Indianapolis allocated \$2.5M of Voluntary Funding to open HomeBoost on Sept. 5, 2023. All funding was allocated by mid-October and the pilot program supported 166 first-time homebuyers across Indiana and Michigan. FHLBank Indianapolis began evaluating the pilot program shortly after all funding was allocated and will evaluate the possibility of recurring programs based on established district needs, to be revisited on an annual basis.

## Heirs Rights and Tangled Title

As mentioned in the Needs Assessment, heirs' rights issues and tangled titles are often implicated when a homeowner passes away without a formal will or without clear title to the home. The heirs asserting rights can face a litany of challenges to take ownership. As discussed in the Needs Assessment, Black households are often disproportionately impacted by these challenges.

In 2023, FHLBank Indianapolis worked alongside community partners within strategic parts of the district to understand what localized data is available on the subject, as well as what efforts are being made to address and

prevent heirs' rights issues. In 2024, FHLBank Indianapolis has the goal of implementing a voluntary initiative addressing heirs' rights issues.

## **Stepping Up Grant**

The Bank contributed voluntary dollars that add up to \$1.8 million to cover the last complete Elevate award and all four AHP alternate 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 2023, Community Investments supported diversity, equity and inclusion through:

- Developing a strategy on recognizing our member institution's DEI initiatives and efforts;
- Expanding outreach and partnership opportunities to promote Elevate to minority-owned small businesses; and

Implementing a pilot Special Purpose Credit Program that provides down payment assistance to targeted demographics.

## 5. OUTREACH AND TRAINING

### 2023 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 2023, 129 members indicated interest in participating in one or more Community Investment programs or products. Of those, 96 submitted an application, received funding or took an advance.

Various outreach and training efforts were conducted in 2023 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 state-wide trade associations 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 2023, which included the first large-scale networking events in each state since prior to the pandemic.
- **Address district needs:** The Bank launched its pilot Special Purpose Credit Program for minority down payment assistance.
- **Expand presence in Detroit:** The Bank continues to support our Michigan communities by leveraging our Detroit Hub office space. CID efforts continue to focus 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:** CID staff continue to increase efficiencies through the FHLBI.GIVES module for competitive AHP, Homeownership Initiatives, Elevate and CIP.
- **Enhance programs for members and partners:** Surveys were issued to members who participate in Homeownership Initiatives and AHP. 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.

### 2024 Outreach and Training

The 2024 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: 2023 GOALS AND ACCOMPLISHMENTS

### Lending

**Goal: Originate \$250 million in CIP advances and letters of credit.**

**Accomplishments:** In 2023, CIP originations totaled \$276 million. CIP/CICA Advances totaled \$142.8 million and CIP-related letters of credit (including interest) totaled \$133.7 million.

### Member Engagement

**Goal: Ensure that 90-100 members are engaged with AHP, Homeownership Initiatives, small business grants, Community Mentors and other voluntary programs.**

**Accomplishments:** In 2023, 129 member financial institutions were engaged with community investment products, which is a 14% increase from 2022. This was achieved through member participation shown below:

Set Aside Registrations	Spring HOP Only Round	NIP	HOP	AMP	Total Set Aside Members Funded	Total Funding
92	21	57	26	24	66	\$8.4M

HomeBoost SPCP Request	HomeBoost Registration	Total HomeBoost Members Funded	Total Funding	Total Community Mentors Members Applied
77	54	28	\$2.5M	5

Elevate Registration	Elevate Applications	Total Elevate Members Funded	Total Funding	Total CIP Members Funded
47	42	25	\$705,130	6

AHP Application	Total AHP Members Funded	Total Funding	Total Members Engaged CID	Total Members Funded CID
36	23	\$17.9	129	97

**Goal: Evaluate branding and marketing strategies for all Community Investment products.**

**Accomplishments:** Through collaboration with the Marketing, Communications and the Strategic Initiatives & Innovation Departments, analysis of existing branding was evaluated. In 2024, programs under the Homeownership Initiatives and the CIP Advance will be re-branded for the 2025 program year.

### Outreach and Education

**Goal: Provide at least 50 outreach and technical assistance meetings with members and community partners.**

**Accomplishments:** A total of 159 outreach meetings were conducted through:

- 61 member meetings where Community Investment programs and products were discussed, and focused on discussions on how the member could build partnerships to participate in Community Investment funding. These meetings were generated through Business Development leads, Outreach Partner leads, Community Investment staff leads and member inquiries.

- 98 community partner meetings where Community Investment programs and products were discussed. These conversations focused on an introduction to the FHLBank System and FHLBank Indianapolis, how to participate in Community Investment funding and how to build partnerships with FHLBank Indianapolis members. These meetings were generated through Outreach Partner leads, Community Investment staff leads, member introductions, state-wide partnership introductions, AHAC, Board and other staff leads and general inquiries.

Additionally, the AHP staff conducted 51 Technical Assistance meetings with potential AHP project development teams. The AHP staff provided review and feedback on application materials and were available to answer questions about the AHP process.

**Goal: Participate in a minimum of 15 housing and/or economic development conferences (in person or virtual).**

**Accomplishments:** A total of 24 housing and community economic development conferences were attended by Community Investment staff that included, but not limited to, the following partner events:

- Prosperity Indiana
- Opportunity Finance Network
- Affordable Housing Association of Indiana
- Fair Housing Center of Michigan
- Urban Land Institute
- FHLBank System Events
- Indiana Housing and Community Development Authority
- Michigan State Housing Development Authority
- CRA Associations
- Bankers Association
- CEDAM – Community Economic Development Association of Michigan
- Habitat for Humanity
- Coalitions Against Homelessness
- Balance of State Continuum of Care
- CSH - Corporation for Supportive Housing
- Interagency – OCC, FDIC and Federal Reserve
- Travois National Tribal Conference

**Goal: Identify one underserved geography in each state to broaden partnerships with members and community partners.**

**Accomplishments:** Working with the Business Development Department, Community Investment staff hosted events at the following regional meetings which locations were identified as areas where FHLBank Indianapolis sees limited participation in CIP/CICA Advances and Community Investment programs:

- Week of July 17: Upper Peninsula of Michigan, as part of the Community Bankers Association of Michigan conference
- Week of July 24: Evansville, Ind. – 18 attendees from 6 different members and 9 community partners
- Week of Aug. 1: Flint, Mich. – 29 attendees from 12 different members and 12 community partners



With the targeted outreach, Community Investment received the most Elevate applications from Evansville, Ind. and Flint, Mich. in 2023.

## Diversity, Equity and Inclusion

**Goal: Develop a strategy on recognizing our member institution's DEI initiatives and efforts.**

**Accomplishments:** Through collaboration with the Office of Diversity, Equity and Inclusion, Community Investment expanded the categories to be considered for a Community Spirit Award, which recognizes an employee from a member that exemplifies excellence in supporting affordable housing. To recognize that there are several ways a member can support their community, FHLBank Indianapolis expanded the categories of recognition to include DEI work and a category honoring an emerging leader. The following were selected by the Affordable Housing Advisory Committee, Community Investment Department and the Office of Diversity, Equity and Inclusion as the 2023 Community Spirit Award winners:

- Michigan: Michelle LaClair-Ziembo, Human Resources Manager, United Bay Community Credit Union for Emerging Leader and DEI
- Indiana: Susan Ruch, Small Business Banker, The Farmers Bank for Affordable Housing; Economic Development; Emerging Leader

**Goal: Expand outreach and partnership opportunities to promote Elevate to minority-owned small businesses.**

**Accomplishments:** 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. CID staff presented Elevate to each of the partners' membership networks. Additionally, CID staff presented at a Hispanic and Latino Small Business Session on behalf of a member in Goshen, Ind..

**Goal: Implement a pilot Special Purpose Credit Program that provides down payment assistance to targeted demographics.**

**Accomplishments:** Through extensive research, FHLBank Indianapolis developed a pilot Special Purpose Credit Program (SPCP) in 2023. The SPCP, named HomeBoost: Minority Downpayment Assistance Grant, provided down-payment assistance to those who:

- are first-time homebuyers;
- identify as Black or African American, Asian, Hispanic, Indian American or Alaska Native, and/or Native Hawaiian or Other Pacific Islander;
- have a household income at or below 120% of the local Area Median Income; and
- intend to purchase a primary residence in Indiana or Michigan.

FHLBank Indianapolis allocated \$2.5 million of Voluntary Funding to open HomeBoost on Sept. 5, 2023. By mid-October, all funding was allocated, supporting 166 first-time homebuyers.

## Operational Excellence

**Goal: Engage 10 members/sponsors to provide feedback on FHLBI.GIVES system to incorporate enhancements.**

**Accomplishments:** CID staff sent a survey out to all FHLBI.GIVES users as of June 2023. Seventy nine responses were received. Enhancements to .GIVES onboarding were recommended and are planned for 2024.

**Goal: Conduct four internal meetings to discuss community investment program process improvements.**

**Accomplishments:**

- The AHP team held an all-day strategic planning session on Feb. 15 to discuss the 2023 program year including timelines, trainings/workshops, user forms and documents, FHLBI.GIVES improvements, process enhancements (application, disbursements, IMR, reporting, etc.) and policy/procedure updates. A similar strategic planning session is planned for Feb. 2024 to discuss the 2024 program year.
- CID conducted a Staff Retreat on March 21 that focused on strategic planning. Afterwards, two follow up meetings were held for staff to identify and work on next steps.
- The Set-Asides team held one strategic planning meeting that focused on identifying areas of the file review process that could be expedited to produce efficiencies. The team held another strategic planning meeting to update Income Guidelines.

## 7: 2024 GOALS

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### Lending

- Originate \$150 million in CIP advances and letters of credit.
- Enhance our community impact by increasing our Community Investment allocation by 5%.

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### Member Engagement

- Ensure that -100-125 members are engaged with AHP, homeownership initiatives, small business grants, community mentors and other voluntary programs.
- Execute re-branding and marketing strategies for CIP Advance and Homeownership Initiatives to announce in 2025.

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### Outreach and Education

- Provide at least 75 outreach and technical assistance meetings with members and community partners.
- Participate in a minimum of 60 housing and/or economic development conferences through sponsorship, attendance, hosting, or presenting.
- Broaden partnerships with members and community partners in underserved geographies through supporting the Community Mentors Program, regional meetings and Native/Tribal communities.
- Enhance communications through the creation of dynamic and easy to understand outreach materials about program offerings and impact.

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### Diversity, Equity, and Inclusion

- Implement a voluntary initiative addressing heirs' rights issues.
- Present to two to six new small business organizations within the district that work with minority-owned small businesses.
- Evaluate HomeBoost pilot for potential development into a recurring program.
- Implement a voluntary initiative to support affordable housing and community development in tribal communities.

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### Operational Excellence

- Improve registration process for potential applicants within the .GIVES system.
- Enhance contact management for Community Investment related contacts and touchpoints.
- Explore Community Investment related recommendations from System at 100 where opportunities exist.