



**FHLBank**  
Chicago

# 2024 Targeted Community Lending Plan

Ashley Hoppe, pictured with her family, closed on her new home in Neillsville, Wisconsin, with the support of an FHLBank Chicago Downpayment Plus<sup>®</sup> grant provided through one of our members, Simplicity Credit Union.

# Federal Home Loan Bank of Chicago 2024 Targeted Community Lending Plan

Pursuant to 12 C.F.R. Parts 1290.6 and 1291.13, FHLBank Chicago presents its 2024 Targeted Community Lending Plan (TCLP). The TCLP documents market dynamics, as well as housing and economic development needs, within FHLBank Chicago's district of Illinois and Wisconsin (the "District"). Specifically, the TCLP:

- Reflects timely market research on trends in the District;
- Describes how FHLBank Chicago will address identified credit needs and market opportunities in the District with targeted community lending;
- Establishes targeted community lending performance goals;
- Identifies and assesses significant affordable housing and economic development needs in its District that will be addressed through its programming;
- Specifies, from among the identified needs, the particular affordable housing needs that FHLBank Chicago will address via any Targeted Funds under its Affordable Housing Program.

The TCLP is developed in consultation with FHLBank Chicago's Community Investment Advisory Council (CIAC), shareholders ("members"), housing associates, public and private economic development organizations, and other stakeholders and partners throughout the District. FHLBank Chicago's 2024 TCLP comprises four sections: Mission; District Housing and Economic Development Trends; Needs Assessment; and Strategy and Goals.

# Executive Summary

As Illinois and Wisconsin continue to recover from the economic and social impacts of the COVID-19 pandemic, many communities continue to experience heightened need for affordable housing and economic development support. In response, FHLBank Chicago delivers products and services to meet these needs in collaboration with our member financial institutions to support their customers and communities. FHLBank Chicago's community investment strategy is informed by an annual assessment of Districtwide market conditions and community needs, which ensures that FHLBank Chicago's product offerings are responsive and impactful.

The 2024 Needs Assessment identifies the following affordable housing and community lending needs:

Affordable Housing Needs		
✓ Supply of Rental and Owner-Occupied Housing	✓ Support for Equitable Homeownership	✓ Housing for Homeless Households
✓ Reinvestment in Aging Housing Stock	✓ Investment in Small Projects	✓ Diversity in Affordable Housing Development
✓ Access to Economic Opportunities	✓ Investment in Low-Income Minority Areas	✓ Housing for Formerly Incarcerated Individuals
✓ Housing for Individuals Recovering from Substance Abuse	✓ Climate Sustainability, Resilience, and Recovery	✓ Housing for Individuals Recovering from Physical Abuse, Domestic Violence, Dating Violence, Sexual Assault or Stalking
✓ Housing for Large Families	✓ Housing Investment in Rural and Native Communities	
	✓ Digital Equity	
Economic Development and Community Lending Needs		
✓ Support for Small Businesses	✓ Support for CDFIs and Nonprofit Lenders	✓ Support for Native Economic Development
✓ Support for Capacity-Building in Community Development	✓ Support for Targeted, Place-Based Development Strategies	✓ Support to Bridge the Racial Wealth Gap

FHLBank Chicago's 2024 Community Investment programs tie directly to needs identified in the 2024 District Needs Assessment. Impact goals, metrics, and 2024 performance targets are identified for each program, with impact viewed from three perspectives: FHLBank Chicago member impact, end beneficiary impact, and community impact.

# I. Mission

FHLBank Chicago is a member-focused cooperative committed to delivering products and services that meet the needs of our members – financial institutions chartered in Illinois or Wisconsin – and their communities. FHLBank Chicago offers members competitively-priced funding, a reasonable return on their investments, and Community Investment programs that support affordable housing and economic development needs in their communities.

Affordable housing and economic development activities are most impactful when they occur in tandem. That is why our Community Investment programs reflect our commitment to these dual priorities. We offer a host of programs to expand housing and economic opportunities to low- and moderate-income households throughout Illinois and Wisconsin. In 2024, these offerings include:

- Grant programs to increase housing supply and affordability
  - **Affordable Housing Program (AHP) General Fund**
  - **Downpayment Plus® (DPP) Programs**
- Lending products to facilitate members' community investment
  - **Community Housing, Development and Small Business Advances**
- Grants to support small business growth and development
  - **Community First® Accelerate Grants for Small Businesses**
- Grants to support career opportunities for diverse housing developers
  - **Community First® Diverse Developer Initiative**
- Grants to expand access to housing counseling for minority and low- and moderate-income homebuyers
  - **Community First® Housing Counseling Resource Program**
- Loan fund to support affordable housing and community development lending by community organizations (including non-depository CDFIs)
  - **Community First® Fund**

Through these and other programs, FHLBank Chicago responds to critical community development needs and facilitates impactful opportunities for our members and the communities they serve.

## II. District Housing and Economic Development Trends

FHLBank Chicago monitors market conditions in the District to identify unmet needs and opportunities to support affordable housing and community lending. Ongoing assessment of these dynamics informs FHLBank Chicago's Community Investment strategy. District housing and economic development trends are presented below.

### DISTRICT HOUSING TRENDS

In Illinois and Wisconsin, affordable rental and homeownership opportunities are in short supply, mirroring national trends. Post-pandemic impacts continue to surface in the housing market as prices for demand construction increased 18.5% in 2022, well above the average increase of 1.5% between 2015 and 2020.<sup>1</sup>

Demand for affordable rental units continues to exceed supply. Across the District, roughly a quarter of all renter households are extremely low-income (i.e.  $\leq 30\%$  AMI), and 86% of them are housing cost burdened, meaning they spend more than 30% of their household income on rent.<sup>2</sup> Moreover, 71% of these households are extremely cost burdened, meaning they spend more than 50% of their household income on rent.

Similar trends are found with very low-income (e.g. 31-50% AMI) households throughout the District.<sup>3</sup> In Illinois and Wisconsin, nearly three out of every four very low-income households are housing cost burdened. Severe housing cost burden is experienced by 26% of these households in Illinois, and 17% in Wisconsin. Despite the need for more housing that is affordable for households at these income levels, the availability of such housing is lacking. Only 35% of extremely low-income households have access to affordable, available housing. For very low-income households, the percentage of those households with access to affordable housing is higher, (65% in Illinois, 81% in Wisconsin), but still falls short of the level required to meet the needs of these populations.

Affordable homeownership opportunities are also scarce as the market is increasingly challenging for low- and moderate-income homebuyers, including first-time buyers. With rising interest rates and home prices and a limited supply of available properties, homes sell quickly at prices that are out of reach for low- and moderate-income buyers. Wisconsin's state-wide median home price at the end of 2022 was \$250,000, roughly an 8.5% increase from 2021.<sup>4</sup> Illinois has also seen an increase in home prices, with a median home price of \$260,000 in 2022,

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<sup>1</sup> December 2022 Producer Price Index Report, Bureau of Labor Statistics.

<sup>2</sup> NLIHC tabulations of 2021 ACS PUM

<sup>3</sup> NLIHC tabulations of 2021 ACS PUM

<sup>4</sup> Wisconsin Realtors Association, 2022;

up 4% from 2021.<sup>5</sup> Households at or below 80% AMI are particularly limited in affordable options in both urban and suburban geographies throughout the District.

Further, homeownership rates in the District are disparate across racial and ethnic groups. In Illinois, just 41% of Black households and 57% Hispanic households were homeowners in 2022, as compared to 75% of White households.<sup>6</sup> The trend in Wisconsin is similar, where 29% of Black households and 45% of Hispanic households were homeowners, as compared to 73% of White households.

The District's state housing finance agencies – Illinois Housing Development Authority (IHDA) and Wisconsin Housing and Economic Development Authority (WHEDA) – offer a variety of programs to support affordable rental and owner-occupied housing and annually adjust program priorities to address ongoing and emergent state-wide housing needs. FHLBank Chicago coordinates with these partners to align programming for maximum impact.

IHDA's 2023 Illinois Annual Comprehensive Housing Plan identifies several priority service populations, including: extremely low-income families; low-income seniors and persons with disabilities; low-income persons facing housing displacement, or those unable to afford housing near employment opportunities and reliable transportation; persons residing in existing affordable housing that is in danger of being lost; and persons experiencing or at risk of homelessness.<sup>7</sup> IHDA is focused on supporting economic resiliency, advancing access for priority populations, promoting environmental sustainability, and addressing inequities in housing. IHDA's 2022-2023 Qualified Allocation Plan (QAP) reflects many of these priorities for its Low-Income Housing Tax Credit (LIHTC) program.

WHEDA's 2023-2024 QAP incorporates similar priorities for its LIHTC program, including: increasing the supply of affordable housing to very-low-income families, senior citizens, and providing housing with services, including those experiencing homelessness and veterans; developing innovative financing strategies, including leveraging local, state, and federal funding programs efficiently; employing place-based strategies which expand affordable housing in high-opportunity areas, encouraging an increase in supply within high housing need areas such as high growth areas and rural communities that align with broader community development plans; and increasing economic opportunity and housing outcomes through homeownership initiatives, property management approaches, and high-quality service delivery.<sup>8</sup>

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<sup>5</sup> *Illinois REALTORS*, 2022.

<sup>6</sup> *2022 Snapshot of Race and Home Buying in America*, National Association of REALTORS®.

<sup>7</sup> *Illinois' 2022 Annual Comprehensive Housing Plan*, Illinois Housing Development Authority, 2022.

<sup>8</sup> *Wisconsin 2023-2024 Qualified Allocation Plan*, Wisconsin Housing and Economic Development Authority

## DISTRICT ECONOMIC DEVELOPMENT AND COMMUNITY LENDING TRENDS

Economic conditions in Illinois and Wisconsin continued to improve in 2022 as the recovery from the pandemic progressed, though the pace of recovery was slower than in 2021.<sup>9</sup> Continued relief provided by the federal American Rescue Plan and the reopening of states' economies have been key drivers for these improvements. At year-end 2022, the unemployment rates in Illinois and Wisconsin were 4.0% and 2.2%, respectively, lower than their respective rates of 5.1% and 3.1% in 2021. In fiscal year 2022, real GDP in the District was on par with the nation overall, with GDP of 2.3% in Illinois and 1.7% in Wisconsin, as compared to 2.1% nationally.<sup>10</sup>

Despite economic recovery in both Illinois and Wisconsin, small businesses have remained vulnerable to lingering economic impacts from the COVID-19 pandemic.<sup>11</sup> Many businesses lack access to adequate savings, insurance, and credit, and they have struggled to regain footing after the business disruptions of the pandemic.

Although conditions facing small businesses have improved as pandemic recovery continues, the outlook for small businesses remains challenged. As of April 2023, the NFIB Small Business Optimism Index was 89, marking the sixteenth consecutive month below the 48-year average of 98. Reduced optimism in the business outlook can largely be attributed to inflation and challenges in the labor market. Forty-five percent of all business owners reported job openings they could not fill in April 2023, and only 33% of business owners reported raising their average selling prices, the lowest level for this indicator since March 2021.<sup>12</sup>

The Federal Reserve Bank's *Small Business Credit Survey* has consistently found that businesses owned by people of color face more financial and operational challenges than White-owned businesses.<sup>13</sup> The Federal Reserve's *2022 Report on Startup Firms Owned by People of Color* notes that particular disparities relate to revenue, access to pandemic-related financial assistance, and access to financing. Findings include:

- 79% of Asian-owned firms, 72% of Black-owned firms, 67% of Hispanic-owned firms, and 59% of White-owned firms reported that revenues had not yet rebounded to pre-pandemic levels.

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<sup>9</sup> *Illinois Economic and Fiscal Policy Report*, Governor's Office of Management and Budget, November 2021; *State of Illinois Economic Forecast*, Moody's Analytics, February 2022; *Wisconsin Economic Forecast Update*, Wisconsin Department of Revenue, February 2022).

<sup>10</sup> *Gross Domestic Product by State and Personal Income by State, Year 2022*, Bureau of Economic Analysis, March 2023

<sup>11</sup> *2021 Small Business Profiles*, U.S. Small Business Administration Office of Advocacy, 2021.

<sup>12</sup> *Small Business Economic Trends*, National Federation of Independent Business, May 2022. Note: Percentages are adjusted for seasonality.

<sup>13</sup> *Small Business Credit Survey: 2022 Report on Firms Owned by People of Color*, Federal Reserve Banks, June 2022.

- 70% of White-owned firms received all of the Paycheck Protection Program (PPP) funding they applied for, while the same was true for just 55% of Asian-owned firms, 44% of Hispanic-owned firms, and 31% of Black-owned firms.
- Even among firms with strong credit scores, firms owned by people of color were less likely than White-owned firms to have received all of the financing for which they applied.
- Employer-firm startups of color were less than half as likely as their White-owned counterparts to be fully approved on loan applications and around twice as likely to be denied.

Community Development Financial Institutions (CDFIs) continue to play a critical role in local markets Districtwide. Markets hardest hit by the pandemic included historically underserved populations, and CDFIs amplified their support for these communities, which included the use of FHLBank Chicago's COVID Relief Programs by its CDFI members during the height of the pandemic. New liquidity from government and philanthropic relief sources has flowed to many CDFIs; in its 2022 Fiscal Year alone, the U.S. Treasury, via the CDFI Fund, awarded 252 CDFIs \$194 million in Financial Assistance (FA) awards and nearly \$28 million in Technical Assistance awards, and announced \$5 billion in New Markets Tax Credit Awards to support economic relief

## The Important Role of CDFIs

**Community Development Financial Institutions (CDFIs)** are private-sector, financial intermediaries with a primary mission of community development. CDFIs:

- Meet financial services needs in historically underserved communities, positioning them as a critical resource for pandemic recovery.
- Finance small businesses, community institutions, and housing development in markets, with the goal of providing affordable, consumer-friendly lending options to economically disadvantaged communities.
- Include community development banks, loan funds, credit unions, corporations, and venture capital funds.
- Attract public and private capital sources (e.g., U.S. Department of the Treasury's CDFI Fund, conventional financial institutions, foundations, corporations, individuals, and customer deposits (for depository CDFIs).

in communities.<sup>14</sup> While CDFIs in Illinois and Wisconsin have benefited from these and other resources, the influx of pandemic resources has slowed in 2023, and CDFIs have a need for additional sources of capital to continue meeting the housing and economic development needs of underserved communities throughout the District.

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<sup>14</sup> U.S. Treasury Announces New Funding and Financial Services Headed to Underserved Communities, U.S. Department of Treasury, February 2023



## NATIVE AMERICAN HOUSING AND ECONOMIC TRENDS

Both Illinois and Wisconsin are home to Native American populations, with 96,500 and 60,400 American Indian or Alaskan Native individuals residing in each state, respectively, as of 2020.<sup>15</sup> There are 11 federally recognized Native Nations in FHLBank Chicago's District, all of which are located in Wisconsin on tribal land encompassing over one-half million acres in 16 counties. While Illinois is not home to federally recognized Native Nations, 2.2% of Illinois' population identifies as American Indian and/or Alaskan Native, while that number is 2.5% in Wisconsin. A disproportionate percentage of these populations live in poverty, as compared to poverty levels overall.<sup>16</sup>

A network of organizations exists throughout the District to support the needs of Native American communities and individuals. FHLBank Chicago partners with these organizations to deliver products and services that meet needs in their communities. In Wisconsin's tribal communities, this network includes tribal housing partners (see table below)<sup>17</sup>.

<b>Tribe Name</b>	<b>Tribally Designated Housing Entities/Authorities</b>
<b>Bad River Band of Lake Superior Chippewa Indians</b>	Bad River Housing Authority
<b>Forest County Potawatomi Community</b>	Wisconsin Potawatomi Housing Authority
<b>Ho Chunk Nation</b>	Ho-Chunk Housing and Community Development Agency
<b>Lac Courte Oreilles Band of Lake Superior Chippewa Indians</b>	Lac Courte Oreilles Housing Authority
<b>Lac du Flambeau Band of Lake Superior Chippewa Indians</b>	Lac du Flambeau Chippewa Housing Authority
<b>Menominee Indian Tribe of Wisconsin</b>	Menominee Tribal Housing Department
<b>Oneida Tribe of Indians Wisconsin</b>	Oneida Housing Authority
<b>Red Cliff Band of Lake Superior Chippewa Indians</b>	Red Cliff Chippewa Housing Authority
<b>St. Croix Chippewa Indians of Wisconsin</b>	St. Croix Chippewa Housing Authority
<b>Sokaogon Chippewa Community - Mole Lake Band of Lake Superior Chippewa</b>	Sokaogon Chippewa Housing Authority
<b>Stockbridge-Munsee Band of Mohican Indians</b>	Mohican Housing Department

<sup>15</sup> 2020 Decennial Census P1, United States Census Bureau

<sup>16</sup> S1701 Poverty Status in the Past 12 Months, ACS 2021

<sup>17</sup> Tribal Nations of Wisconsin, Wisconsin Department of Public Instruction; Eastern Woodlands Tribally Designated Housing Entities, United States Department of Housing and Urban Development.

Native American communities in the District – which are primarily rural and experience disproportionate poverty – face unique barriers to housing and economic opportunities. Specific challenges include the following:

#### **Housing Barriers**

- Lack of safe, secure, affordable housing supply in tribal communities (rental and ownership)
- Limited access to financial services, including credit and homebuyer education
- Overcrowding to prevent homelessness
- Limited access to development capital
- Limited infrastructure to support development, including roads, sewer, public utilities, and broadband service
- Mortgage lending challenges on tribal land

#### **Economic Barriers**

- Limited access to financial services, capital and credit
- Limited governmental capacity to lead the planning and execution of development initiatives
- Limited infrastructure to support development, including roads, sewer, public utilities, and broadband service
- Workforce-job skills mismatch
- Job scarcity
- Lack of small business development and technical support resources
- Lack of revenue sources

Wisconsin’s four Native CDFIs play an important role in supporting the community development, housing, and financial services needs of the District’s Native American communities and populations. Native CDFIs providing services in Wisconsin are listed in the table below.

<b>Native CDFI</b>	<b>Financial Products/Services Provided</b>
<b>First American Capital Corporation</b>	Provides loans and technical assistances to Native-owned businesses both on and off reservations throughout Wisconsin.
<b>First Nations Community Financial</b>	Provides education, training, and access to capital to Ho Chunk Nation tribal members.
<b>NiiJii Capital Partners, Inc.</b>	Provides alternative financing and development services for entrepreneurs and small businesses on the Menominee, Mole Lake and Lac du Flambeau Reservations.
<b>Wisconsin Native Loan Fund</b>	Provides education and affordable lending opportunities to Wisconsin tribal members.

These Native CDFIs collaborate via the Wisconsin Indian Business Alliance (WIBA) to facilitate access to loans, training and financial counseling for members of Wisconsin’s 11 federally-recognized tribes. Other organizations supporting economic development and housing for Native American in the District include state agencies such as Wisconsin Economic Development Corporation and Illinois Department of Commerce and Economic Opportunity. Numerous other organizations in each state, such as Great Lakes Indian Housing Association and the Great Lakes Inter-Tribal Council, Inc., a regional coordinating body, also support this work.

## III. Needs Assessment

Each year, FHLBank Chicago conducts a Needs Assessment to gather information on affordable housing and community lending needs throughout the District. Informed by research and feedback from our members and community partners, the annual Needs Assessment is then leveraged to identify gaps in the market and opportunities for program enhancements and new initiatives. The Needs Assessment relies on quantitative and qualitative data and incorporates input from diverse members and partners throughout the District. The 2024 Needs Assessment reflects research conducted through June 2023.

### AFFORDABLE HOUSING NEEDS

The 2024 Needs Assessment identified the following critical housing needs:

Need	Description
<b>Supply of Rental and Owner-Occupied Housing</b>	Affordable rental and homeownership opportunities are in short supply in the District. Many communities are experiencing scarcity in the supply of both rental and owner-occupied housing, which further drives up rents and home prices and exacerbates affordability challenges for low- and moderate-income households. These challenges create ripple effects for employers seeking to attract workers when there is nowhere for them to live, for communities that cannot accommodate new residents, and for households whose residential, employment and social opportunities are constrained by lack of available, affordable housing.
<b>Support for Equitable, Sustainable Homeownership</b>	Homeownership is a powerful tool for building individual wealth. The majority of the District's households are on this path, with 66.7% and 70% of Illinois and Wisconsin households, respectively, owning their home. <sup>18</sup> However, for many households, homeownership is out of reach due to lack of affordability and readiness. Downpayment assistance and housing counseling play a pivotal role in facilitating sustainable homeownership, and support for both is needed throughout the District. In addition, equitable homeownership strategies that support minority populations in bridging the racial homeownership gap play an impactful role in increasing minority homeownership and wealth-building opportunities. <sup>19</sup>
<b>Access to Economic Opportunities</b>	Economic opportunities have been recognized as a social determinant for positive health and wellbeing outcomes for communities. However, it can be extremely difficult for families to improve their economic circumstances in neighborhoods absent such opportunities. Across the District, there is a need for affordable housing that links residents with economic opportunities, via development of affordable housing in high-opportunity areas, with access to jobs and other amenities that support the economic, physical, and social wellbeing of residents.

<sup>18</sup> *Homeownership and Vacancy Rates by State*: Federal Reserve Bank of St. Louis, 2022

<sup>19</sup> In 2020, just 25.47% of Black Wisconsinites owned their homes, versus 71.1% of white residents. In Illinois, just 38.8% of Black Illinoisans owned their homes, versus 72.8% of white residents. *ACS 5-Year Estimates, 2018 and 2019*; *Federal Reserve Bank of St. Louis, 2020*.

<b>Housing for Homeless Households</b>	<p>Homelessness remains a critical challenge in both Illinois and Wisconsin, and the COVID-19 pandemic only intensified the economic and mental health challenges that place individuals at risk of homelessness. While the District benefits from a network of emergency and transitional housing programs, demand for individual shelter beds and transitional housing units exceeds supply. Industry experts from across the District also cite a significant need for both temporary and permanent housing options for homeless families, including supportive housing options providing wraparound services for chronically homeless and/or highly vulnerable populations.</p>
<b>Housing for Individuals with Disabilities</b>	<p>Many individuals with physical, mental, or developmental disabilities face housing challenges, as they may have limited income and/or limited housing options, causing them to be either unstably housed or paying too much in rent to afford other essentials. Additionally, many adults with disabilities live with aging caregivers and are at risk of future institutionalization or homelessness, often without the supportive care they need. Some individuals with disabilities also struggle to secure accessible housing. Research on housing supply and demand for disabled individuals indicates a clear need for more affordable, accessible, and supportive housing options.</p>
<b>Housing for Individuals Recovering from Substance Abuse</b>	<p>Stable housing plays a vital role in recovery from substance abuse. Substance abuse often contributes to housing instability and homelessness; likewise, housing instability and homelessness can make it difficult for individuals struggling with substance abuse to achieve recovery. Engaging in substance abuse treatment and recovery is difficult without a safe, stable place to live. For those who are unstably housed, substances may be used to cope with the insecurities of their day to day lives, making recovery that much harder. Districtwide, there is a need for housing options and supportive services for individuals in recovery.</p>
<b>Housing for Individuals Recovering from Physical Abuse, Domestic Violence, Dating Violence, Sexual Assault or Stalking</b>	<p>Persons experiencing physical abuse, domestic violence, dating violence, sexual assault or stalking face heightened vulnerability to homelessness. Lack of safe and affordable housing is one of the greatest barriers that survivors of abuse and violence face when they choose to leave an abusive situation. There is a critical need for permanent housing for this population. Housing stability is imperative to healing and to positive outcomes for individuals and families who have survived abuse and violence.</p>
<b>Housing for Formerly Incarcerated Individuals</b>	<p>Discrimination, along with affordable housing shortages, often excludes formerly incarcerated individuals from the housing market. Because the incarceration system disproportionately impacts people of color, ensuring housing for justice-involved individuals is a racial equity issue, as well. There is a need across the District to incentivize affordable housing developments to expand access to safe, affordable housing for returning, justice-involved individuals. Housing instability is a key indicator of criminal recidivism, so incentivizing such housing is an investment in the future of returning citizens and the households they are re-joining.</p>

<p><b>Permanent Supportive Housing</b></p>	<p>Individuals with chronic physical or mental health conditions, or histories of homelessness or trauma, often benefit from service-rich, supportive housing. This includes individuals exiting institutional settings such as medical facilities and prisons. Both IHDA and WHEDA incentivize projects that provide supportive housing, as residents of such projects may have difficulty securing suitable housing and maintaining tenancy without on-site supportive services. Permanent supportive housing has been shown to improve health outcomes, housing stability, and economic self-sufficiency, and reduce the number of days spent by vulnerable populations in shelters, emergency medical facilities, jails, and prisons. Demand for permanent supportive housing exceeds supply, and these much-needed projects in the District often have long waitlists.</p>
<p><b>Housing Investment in Rural and Native Communities</b></p>	<p>Sixty-six of Illinois' 102 counties and 46 of Wisconsin's 72 counties are fully designated as rural, with most of Wisconsin tribal lands located in those areas.<sup>20</sup> Despite the substantial rural landscape in both states, housing development remains largely concentrated in metropolitan areas. Barriers to rural development include: high construction costs, limited labor availability, limited availability of capital, aging housing stock, rural population migration absorbing housing supply and driving up sale prices, and lower rent ceilings limiting project income, among other factors. The lack of affordable housing supply for low- and moderate-income families points to the critical need for investment in affordable housing in rural communities, including Native communities.</p>
<p><b>Reinvestment in Aging Housing Stock</b></p>	<p>Housing stock across the District is aging, with over 70% of total housing stock built 30+ years ago, and over 35% built 50+ years ago.<sup>21</sup> Much of central Illinois and rural Wisconsin have not seen significant new housing development in decades, as recent activity is concentrated in the District's metropolitan areas.</p> <ul style="list-style-type: none"> <li>• <b>Single-family.</b> The need for reinvestment in aging single-family stock continues to grow as the Baby Boomer generation ages. Funding for repairs and accessibility modifications allows older residents to age in place, which has been found to improve health outcomes and reduce social isolation. This is particularly needed in rural areas that may lack assisted living facilities, or for low-income seniors who may not be able to afford long-term care.</li> <li>• <b>Multifamily.</b> Reinvestment in multifamily rental properties, for repairs and upgrades to aging rental assets, is a critical need Districtwide, especially so in rural areas where there may only be a few affordable rental properties across several communities.</li> </ul>
<p><b>Digital Equity</b></p>	<p>In today's economy, broadband Internet service is an essential utility, facilitating access to economic, educational, and social opportunities. However, it has not always been prioritized in affordable housing development, and the availability of digital infrastructure Districtwide remains uneven. To ensure digital equity for residents of both rental and owner-occupied affordable housing, in both rural and urban areas, housing projects should provide available, affordable internet connectivity; access to high-quality devices and technical support for residents; and technology training for residents. By providing sustained support for digital equity, affordable housing projects can serve as a gateway to new opportunities and connections for residents.</p>

<sup>20</sup> *Illinois State Guide*, Rural Health Information Hub, 2023; *Urban and Rural Counties*, Wisconsin Department of Health Services, 2023.

<sup>21</sup> *ACS 5-Year Estimates*, 2019.

<b>Investment in Low-Income Minority Areas</b>	<p>The District experiences high rates of residential segregation by race/ethnicity and income, with communities of color experiencing heightened poverty and less investment than predominantly White communities. Affordable housing investment in low-income minority areas yields valuable benefits: 1) expansion of the stock of quality, affordable housing for current residents, many of whom are highly housing-cost burdened; 2) opportunities for wealth creation for homebuyers wishing to settle and invest in diverse communities; and 3) economic revitalization for historically-disinvested, minority communities. There is a need for quality, affordable housing in the communities where many cost-burdened households of color currently reside, so that relocation is not a prerequisite for access to housing opportunities.<sup>22</sup></p>
<b>Housing for Large Families</b>	<p>Housing units for large families – particularly rental housing units – are in scarce supply Districtwide, due to their relatively higher development cost and municipal restrictions that may limit their development. Supportive housing for large families and housing for multigenerational households is particularly scarce. In many communities, including Native communities, multigenerational living arrangements are common, serving as a key homelessness prevention strategy within families. However, without large units available, homes may be overcrowded, posing health and safety risks. Large family units across a broad spectrum of project types are a critical need in District.</p>
<b>Investment in Small Projects</b>	<p>Small (1-24 unit) development projects are an optimal housing solution in smaller communities across the District, where there is a clear affordable housing need but no market for large-scale developments. Small projects can be challenging to develop; they may not align with the priorities of many competitive financing programs, and they often cannot support needed debt without additional soft funding sources. Their developers may also lack capacity to assemble complex financing or commit to long-term compliance obligations. Resources for small-scale development are needed to ensure that the District’s smaller communities can offer quality affordable housing options for residents.</p>
<b>Diversity in Affordable Housing Development</b>	<p>Equity in the affordable housing industry is not just about access to opportunities for diverse housing residents; it is also about access to development opportunities for diverse developers of affordable housing, as well as their development team partners. Nationwide, only two percent of development companies are Black-led, and minority-led real estate firms control just 1.5% of all real estate assets under management.<sup>23</sup> This lack of diversity “at the top” is largely attributable to lack of access to capital, professional networks, and specialized training needed for complex deals. As a result, diverse developers may be excluded from impactful projects that would benefit their communities and position them to invest even more deeply in the future. Diverse development teams bring diverse perspectives and skills to the projects they support, and this drives innovation and inclusion from which residents also benefit.</p>

<sup>22</sup> Of note, Black households in Illinois and Wisconsin are significantly more housing-cost burdened than the overall population in each state; 58% and 64% percent of Black households in Illinois and Wisconsin, respectively, experience moderate or severe levels of housing-cost burden, as compared to 48% and 42%, respectively, for the state populations overall.<sup>22</sup> This trend is also true, though less stark, for Hispanic households.

<sup>23</sup> *Equitable Path Forward*, Enterprise Community Partners.

**Climate  
Sustainability,  
Resilience, and  
Recovery**

Over the course of the past 50 years, extreme weather and climate events have increased in frequency and severity, resulting in an uptick in economic losses that globally have totalled more than \$3.64 trillion during that time period.<sup>24</sup> To mitigate and counteract adverse impacts of climate-related events, resources are needed to support three key priorities: sustainability, resilience, and recovery. Sustainability-oriented activities proactively seek to prevent negative environmental impacts from development activities; resilience-oriented activities seek to mitigate losses resulting from disasters when they do occur; and recovery-oriented activities support relief for communities when disasters happen. As communities Districtwide increasingly experience climate-related events, there is growing need for financial resources ensure local homeowners and small businesses can weather the storms.

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<sup>24</sup> World Meteorological Organization and UN Office for Disaster Risk Reduction, *Atlas of Mortality and Economic Losses from Weather, Climate and Water Extremes*, 31 Aug 2021.

## ECONOMIC DEVELOPMENT & COMMUNITY LENDING NEEDS

The 2024 Needs Assessment identified the following critical economic development and community lending needs:

Need	Summary
<b>Access to Capital for Underserved Communities</b>	<p>Equitable access to capital is critical to bringing economic and housing opportunities to communities throughout the District. Despite proactive efforts by lenders and other funders to meet the needs of communities, some segments of the market in the District continue to experience limited community investment. This occurs for a variety of reasons, including lenders' use of traditional underwriting standards that may limit their reach to borrowers outside of the conventional "credit box," a secondary market that reinforces the traditional "credit box," lenders' perceptions related to risk of losses, and lack of lending/footprint coverage in some geographies. Programs that expand access to capital for underserved communities (e.g., strategies that mitigate risk for lenders, facilitate expansion of the "credit box," etc.) are critical drivers for equitable economic and affordable housing development Districtwide.</p>
<b>Support for CDFIs and Nonprofit Lenders</b>	<p>CDFIs and other nonprofit lenders play a critical role in financing housing, small businesses, community facilities, and real estate development in markets that may be challenging for traditional lenders to serve. As a result, the work of these organizations complements, rather than competes with, that of traditional lenders to expand access to financing in disinvested and diverse communities. Ongoing support for CDFIs safeguards their critical role in underserved markets. Funding for lending, capacity-building, and innovation are ongoing needs that the pandemic only intensified. CDFIs also have an ongoing need for "patient capital" they can lend for a return focused on social impact (e.g., housing or jobs), with greater risk tolerance than traditional capital investments and longer tenors for the return of capital.</p>
<b>Support for Native Economic Development</b>	<p>Native American communities in the District navigate heightened barriers to economic development. Areas of particular need include: access to capital (e.g., lending capital for Native CDFIs); capacity-building and technical support for tribal entities to facilitate their housing and small business programming; financial literacy and capacity-building to support expansion of Native-owned businesses and businesses in tribal communities; and comprehensive strategic planning to support community-building efforts that benefit Native communities.</p>
<b>Support for Small Businesses</b>	<p>Small businesses comprise an important sector of the U.S. economy, employing nearly half of all U.S. employees and generating wealth in local communities. Despite their value, barriers to creating, sustaining, and growing small businesses are substantial. Access to capital is one of the greatest challenges facing small business, especially those owned by people of color and/or located in low-income areas. The COVID-19 pandemic exacerbated these equity disparities, and access to lending capital is a critical need for small businesses, especially in the context of inflation, labor market constraints, and supply chain disruptions.</p>



<p><b>Support for Targeted, Place-Based Development Strategies</b></p>	<p>Targeted development strategies focused on the needs of specific communities can be highly effective in delivering lasting impact. They have the potential to bring together public and private partners around a common, local goal and introduce opportunities for leverage and collaboration. Supporting local initiatives requires responsiveness and flexibility to meet a project’s unique needs and timeline. Targeted, place-based initiatives can also be valuable in providing proof of concept for funders considering expanded initiatives down the line.</p>
<p><b>Support to Bridge the Racial Wealth Gap</b></p>	<p>Throughout the U.S. and within the District, gaps in household income and wealth continue to persist between racial groups – particularly for Black and Hispanic communities compared to White households. These gaps manifest in the variance of homeownership rates, which expose systemic inequities rooted in racism. Bridging the racial wealth gap will require intentional work to break down biases where they occur, and financial institutions are well positioned to lead on issues such as appraisal bias and expanding the “credit box” to support more inclusive lending. Addressing these gaps within the District would reduce barriers and generate opportunities for wealth-building.</p>
<p><b>Support for Capacity-Building in Community Development</b></p>	<p>Local leaders are often closest to the needs of their local community, but may lack the resources and/or experience necessary to undertake a comprehensive community development strategy. Committed leaders experiencing capacity constraints may require additional resources to assess community needs, identify goals, create implementation plans, identify measures of success, and leverage public and private funding in targeted communities. These challenges are present in urban and rural communities alike.</p>

## III. Strategy and Goals

The section below summarizes how each FHLBank Chicago Community Investment program aligns with identified District need(s). Impact goals, metrics, and 2024 performance targets are also identified for each program, with impact viewed from three perspectives: FHLBank Chicago member impact, end beneficiary impact, and community impact.

<b>OVERVIEW OF COMMUNITY INVESTMENT PROGRAMS</b>		
<b>AFFORDABLE HOUSING PROGRAM (AHP) GENERAL FUND</b>	FHLBank Chicago addresses many affordable housing needs through its Affordable Housing Program (AHP) General Fund, which supports the acquisition, construction, and/or rehabilitation (i.e., supply) of rental or owner-occupied housing. Identified District needs directly inform the program strategy	
<b>DISTRICT NEEDS ADDRESSED BY THE AHP GENERAL FUND</b>		
Housing for Individuals with Disabilities	→	Housing for Special Needs Populations scoring category
Permanent Supportive Housing	→	Permanent Supportive Housing scoring category
Housing for Homeless Households	→	Housing for Homeless Households scoring category
Housing for Individuals Recovering from Abuse	→	Housing for Special Needs Populations scoring category
Housing for Formerly Incarcerated Individuals	→	Housing for Special Needs Populations scoring category
Access to Economic Opportunities	→	Creating Economic Opportunity Through Residential Economic Diversity scoring category
Climate Sustainability, Resilience, and Recovery	→	Energy Efficiency and Sustainability Scoring category <i>(New in 2024!)</i>
Support for Sustainable Homeownership	→	Community Stability: Promotion or Preservation of Homeownership scoring category
Reinvestment in Aging Housing Stock	→	Community Stability: Promotion or Preservation of Homeownership scoring category
	→	Community Stability: Rehabilitation of Existing Occupied Housing scoring category
Rural & Tribal Land Housing Investment	→	Rural Housing/In-District scoring categories
Investment in Low-Income Minority Areas	→	Projects Serving Low-Income Minority Areas scoring category
Housing for Large Families	→	Large Family Units scoring category
Investment in Small Projects	→	Project of 24 or Fewer Units scoring category
Diversity in Affordable Housing Development	→	Development Team Inclusion scoring category

## OVERVIEW OF COMMUNITY INVESTMENT PROGRAMS (Cont'd)

<b>DOWNPAYMENT PLUS®</b>	<p>Downpayment Plus® and Downpayment Plus Advantage® (collectively, "DPP," FHLBank Chicago's Homeownership Set-Aside programs), offer members year-round, easy-to-access down payment and closing cost assistance for low- and moderate-income homebuyers. This program, which requires participation in homeownership education and counseling, supports sustainable homeownership for low- and moderate-income households. DPP addresses the identified District need for:</p> <ul style="list-style-type: none"> <li>✓ <b>Support for Sustainable Homeownership</b></li> </ul>
<b>COMMUNITY ADVANCES AND LETTERS OF CREDIT</b>	<p>FHLBank Chicago offers discounted financing to its members to support affordable housing for low- and moderate-income households, and to help develop and revitalize communities. The Community Advances Program provides discounted advances and standby letters of credit, while the Community Small Business Advance Program provides members with zero-rate financing for eligible small business lending in low- to moderate-income communities. Community Advances and Letters of Credit address the identified District needs for:</p> <ul style="list-style-type: none"> <li>✓ <b>Support for Sustainable Homeownership</b></li> <li>✓ <b>Reinvestment in Aging Housing Stock</b></li> <li>✓ <b>Support for Small Businesses</b></li> </ul>
<b>COMMUNITY FIRST® ACCELERATE GRANTS FOR SMALL BUSINESS</b>	<p>Community First® Accelerate Grants for Small Business ("Accelerate") was launched in 2022 to support the growth and development of small businesses located in Illinois and Wisconsin. Accelerate addresses the identified District need for:</p> <ul style="list-style-type: none"> <li>✓ <b>Access to Capital for Underserved Communities</b></li> <li>✓ <b>Support for Small Businesses</b></li> </ul>
<b>COMMUNITY FIRST® DIVERSE DEVELOPER INITIATIVE</b>	<p>In 2022, FHLBank Chicago launched the Community First® Diverse Developer Initiative (DDI) to support career development for diverse developers of affordable housing in Illinois and Wisconsin. In 2023, DDI supported internships and fellowships for diverse developers, providing valuable professional opportunities for career growth. The Community First® Diverse Developer Initiative addresses the identified District need for:</p> <ul style="list-style-type: none"> <li>✓ <b>Diversity in Affordable Housing Development</b></li> </ul>
<b>COMMUNITY FIRST® HOUSING COUNSELING RESOURCE PROGRAM</b>	<p>In 2022, FHLBank Chicago launched the Community First® Housing Counseling Resource Program, providing grants to HUD-approved housing counseling agencies in Illinois and Wisconsin to support expanded service to minority and low- and moderate-income homebuyers. Two FHLBank Chicago housing associates, Illinois Housing Development Authority (IHDA) and Wisconsin Housing and Economic Development Authority (WHEDA), administer the Housing Counseling Resource Program on FHLBank Chicago's behalf. The Community First® Housing Counseling Resource Program addresses the identified District need for:</p> <ul style="list-style-type: none"> <li>✓ <b>Support for Equitable, Sustainable Homeownership</b></li> </ul>

## OVERVIEW OF COMMUNITY INVESTMENT PROGRAMS (Cont'd)

### COMMUNITY FIRST® FUND

In 2014, FHLBank Chicago launched the Community First® Fund (CFF), a \$50 million revolving loan fund to support economic development and affordable housing throughout Illinois and Wisconsin. CFF provides flexible, long-term, unsecured financing to partner organizations that, in turn, finance or invest in affordable housing, commercial real estate, community facilities, or businesses. Partner organizations may include community development financial institutions (CDFIs), community development loan funds, state housing finance agencies, and regional/national intermediaries with a footprint in the District. CFF address the identified District needs for:

- ✓ **Access to Capital for Underserved Communities**
- ✓ **Support for CDFIs and Nonprofit Lenders**
- ✓ **Support for Sustainable Homeownership**
- ✓ **Support for Small Businesses**

FHLBank Chicago's Community Investment mission is central to all we do, and we believe it should manifest not just in our Community Investment product offerings but in our other product areas as well. In 2024, FHLBank Chicago will continue to holistically advance our Community Investment mission and deepen our impact by exploring opportunities to infuse support for affordable housing and economic development into products bankwide.

<b>2024 Community Investment Impact Goals, Metrics, And Performance Targets</b> (TBD in Q1 2024)			Affordable Housing Program (AHP) General Fund	Downpayment Plus (DPP)	Community Advances	Accelerate Grants for Small Business	Diverse Developer Initiative	Housing Counseling Resource Program
	Impact Goals	Impact Metrics	Performance Targets					
For Members	Broad reach to members, including those new to the program	% of members that receive funds	TBD	TBD	TBD	TBD	TBD	
		% of member applicants that are new to program (5+ years)	TBD	TBD	TBD	TBD	TBD	
For Beneficiaries	Create/preserve affordable housing units	# housing units created/preserved	TBD	TBD	TBD			
	Create/preserve jobs	# of jobs created/preserved			TBD			
	Support organizations/small businesses	# of organizations/businesses supported	TBD		TBD	TBD	TBD	TBD
For Communities	Equitable distribution of program dollars across the district to meet communities' unique needs, including those of underserved communities	Programmatic reach throughout the District, with a focus on underserved and high-need areas	Community Investment programs are positioned to serve communities across the District. FHLBank Chicago continually evaluates and reports on the reach of its programs, with a focus on underserved and high-need communities.					

In addition to programmatic goals, FHLBank Chicago also sets goals related to community engagement, as it is a critical component of our community investment strategy. FHLBank Chicago convenes industry events, provides training, and leads/leverages outreach activities to facilitate knowledge-sharing, explore District needs, and engage in collaborative problem-solving with members and community partners. Community engagement goals for 2024 will be established in Q1 2024.

### 2024 Community Engagement Goals

<b>Industry Convenings</b>	TBD
<b>Training Sessions</b>	TBD
<b>Outreach Events</b>	TBD

Approved by the Board of Directors  
on the 27<sup>th</sup> day of September, 2023

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on the 27th day of September, 2023

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Its Corporate Secretary