

# A Place to Call Home

2017 Community Lending Plan



Federal Home Loan Bank  
of Indianapolis



## 1: Background

The CICA Regulation, 12 C.F.R. Part 1292, requires each FHLBank to develop a Community Lending Plan. This plan is approved by the FHLBank's board of directors and requires each FHLBank to:

1. conduct market research in its district;
2. describe how it will address the identified credit needs and market opportunities;
3. consult with its Advisory Council, members, non-member borrowers, and public and private economic development organizations in its district; and
4. establish quantitative community lending performance goals.

The CICA regulation defines "community lending" as "providing financing for economic development projects or activities for targeted beneficiaries." The FHLBI's 2017-2019 Strategic Plan, the 2017 Affordable Housing Program Implementation Plan, and this plan will provide a comprehensive approach to serving our members using all of the FHLBI's products and services. The Strategic Plan focuses on four strategies for progress that are designed to deliver results while carefully balancing our risk appetite: promoting advances, managing capital, growing MPP solutions, and promoting communities. This approach is highlighted in our mission as follows.

### Mission

To help families afford housing by working with member financial institutions in Indiana and Michigan to meet their funding needs for housing, economic growth and job creation in their communities. The FHLBI also provides grants for building and rehabilitating low-income housing. The FHLBI strives to deliver a market return on the equity investment by its member/owner institutions.

### Strategic Objectives

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

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

Create value for members by simultaneously meeting our housing-oriented mission, providing an attractive return on our members' stock, and prudently managing our risk.

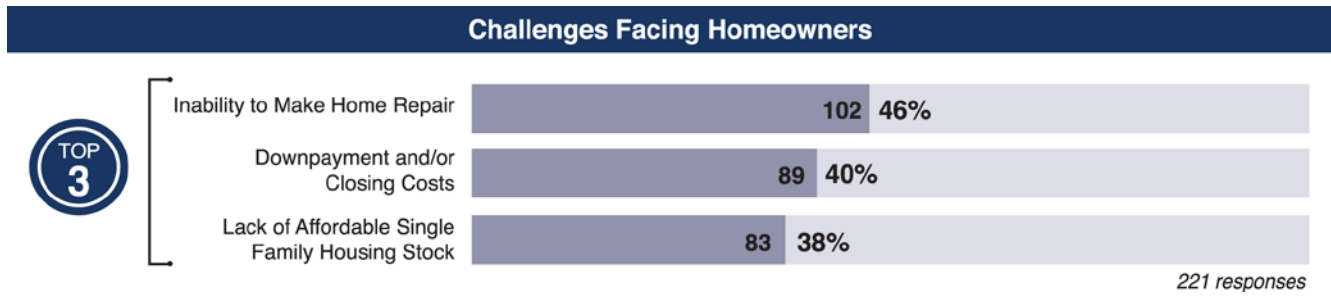
Provide funding to assist low- to moderate-income families obtain affordable housing and to support economic growth and employment within local communities.

## 2: Market Needs Assessment

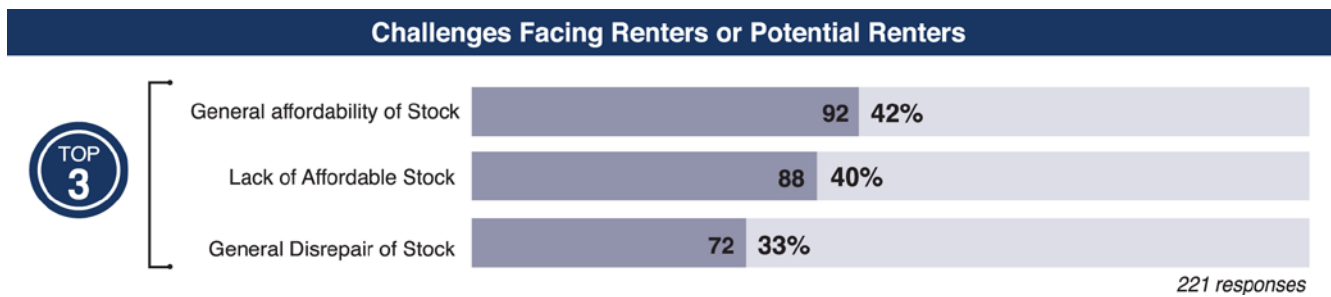
In planning for the 2017 Community Lending Plan, FHLBI contracted with the Indiana Association for Community Economic Development (IACED) and the Community Economic Development Association of Michigan (CEDAM) to survey members and community partners. The survey was distributed to FHLBI members and partners, IACED members, and CEDAM members. There were 221 survey respondents compared to 85 in the 2015 survey when the survey was sent to a smaller database. Of the responses, 26 percent were FHLBI members. Responders were asked to identify the area of operation of their organization. The majority of respondents, 58%, have a multi-county service area while 42% serve a single county.

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

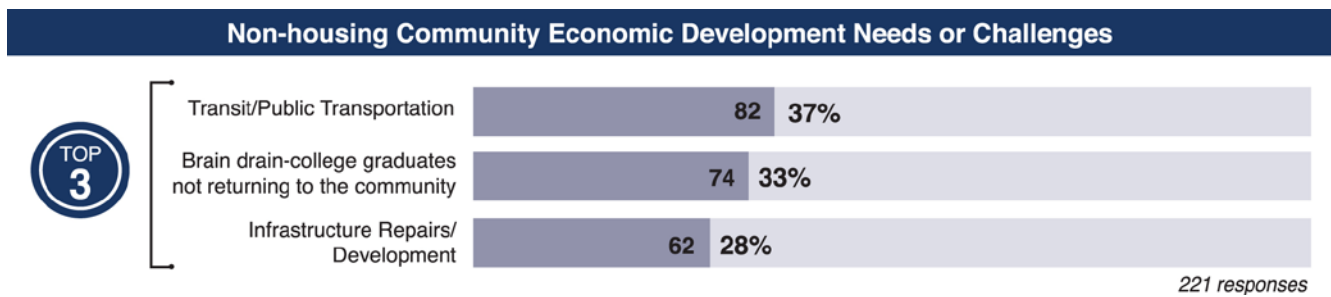
The top needs for homeowners/potential homeowners are:



The top needs for renters/potential renters are:



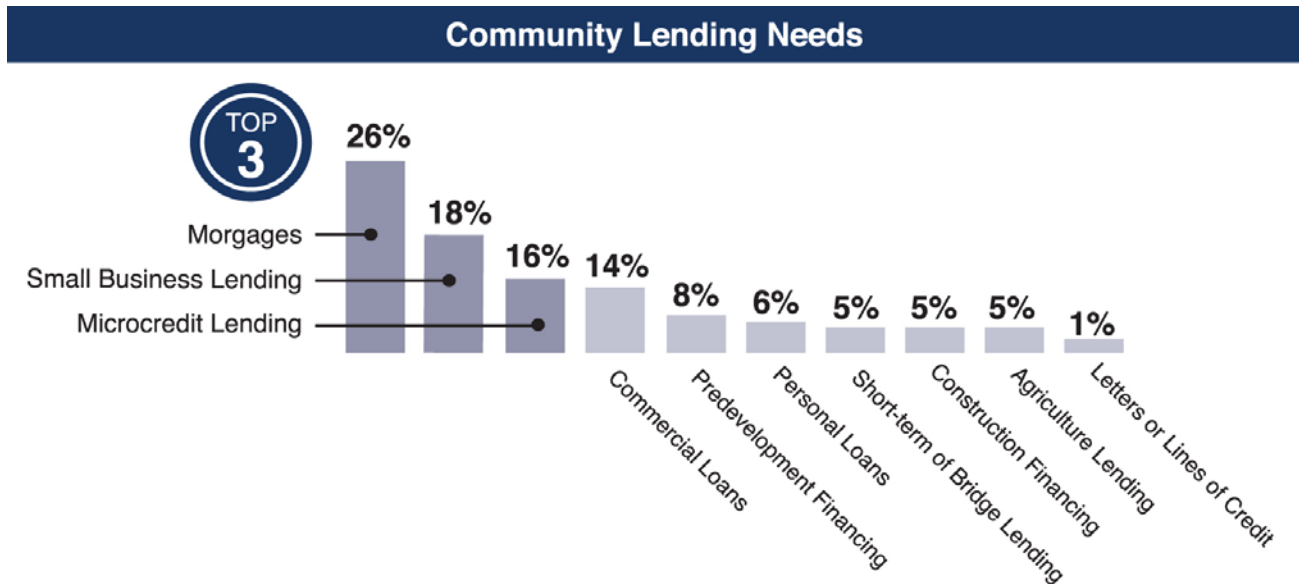
The top non-housing needs are:



There were 117 survey responses from Indiana and 103 responses from Michigan. In terms of challenges/needs for homeowners/potential homeowners, there is parity between Indiana and Michigan communities in the inability to complete needed repairs (45% in Indiana and 48% in Michigan). Lack of affordable single-family homes was the third issue in Indiana (41%), but second in Michigan (43%). On the rental side the availability of rental stock was a top issue in Indiana (51%), but the second issue in Michigan (38%). Affordability of rental housing was the top issue in Michigan (45%), but second in Indiana (38%). Transit and brain drain were the top two non-housing community economic development issues in both Indiana and Michigan. The third was infrastructure in Indiana (29%) and neighborhood level economic development (27%) in Michigan.

Fifty-eight FHLBI members responded to the survey. When asked to identify the biggest challenges facing homeowners or potential homeowners, members reported on an inability to afford down payment and/or closing costs (19%); a lack of affordable single family housing stock (14%); a lack of basic financial literacy (12%); and an inability to make needed home repairs (12%). The biggest challenges facing renters were the general affordability of rental stock (18%); a lack of affordable rental stock (16%); and general disrepair of rental stock (12%) which corresponds with the overall responses. When asked to identify non-housing community economic development challenges in their service area, members identified brain drain/college graduates not returning to the community (18%); lack of skilled labor or manufacturing jobs (14%); infrastructure repairs/development (10%); and transit/public transportation (10%) as the biggest challenges.

FHLBI members were asked to identify their greatest community lending needs, identifying mortgages, small business lending, microcredit lending and commercial loans as their top needs.



The survey attempted to measure respondents' familiarity with Community Investment programs. Of all survey participants, 26 percent were extremely or very familiar with the Affordable Housing Program (AHP); 25 percent were extremely or very familiar with the Homeownership Opportunity Program (HOP); 24 percent were extremely or very familiar with the Neighborhood Impact Program (NIP); and only 15 percent were extremely or very familiar with the Accessibility Modification Program (AMP). Participants were least familiar with AMP, with 49 percent of respondents saying they were not at all familiar with the program. NIP was slightly better known, with 41 percent of participants indicating they were not at all familiar with it, and HOP and AHP were unknown to 36 percent and 35 percent of participants respectively. FHLBI members were asked why they haven't used a product and the most common answer was that the member wasn't sure about how the process works (28%). A fifth of members (20%) reported that they didn't have enough staff resources to use the programs. Other common reasons for not using FHLBI products included it being hard to identify community partners/projects (18%) and the product not addressing a business priority (16%). These results indicate continued need for the Community Lending Plan goals of communicating the programs and training on how to access the funds.

The survey responses also provided valuable feedback through open-ended questions, requesting examples of successful recent community economic development projects. The majority of the successful examples involved partnerships with multiple stakeholders and layered funding sources. This feedback supports the competitive AHP scoring categories that encourage leveraging AHP subsidy. The majority of successful development projects that did not involve housing supported small business development and job creation in communities. Areas where survey respondents' projects had the most challenges were around Brownfield cleanup/environmental remediation issues, gap finance, the size of the funding pools available, and understanding capital stacks/subsidy layering and making it work. In the next five years, it seems communities need more housing options for seniors—whether that is aging in place or construction of new types of multi-family or single-family housing. Rapidly growing communities are aware of a need to be mindful of displacement that may

occur as housing costs rise. The issues facing rural communities are especially challenging with limited resources, access to private and philanthropic capital, economic opportunity, and capacity. In some communities the need to rehabilitate existing housing stock is high, but the cost of rehab continues to outpace property values.

Based on identified market needs, IACED and CEDAM suggest that FHLBI consider:

- A marketing strategy for connecting organizations with FHLBI products and better communicating less well-known products to member institutions.
- Studying ways in which the timing of FHLBI product/program applications can better align with other funding sources, like LIHTC, to provide gap financing for residential construction.
- Developing webinars or self-paced study modules about each of the FHLBI programs and common issues like gap finance, environmental clean-up, and making subsidy layering work.
- Seeking ways to make additional funding available for programs that support aging in place and development of affordable housing for seniors.
- Reviewing product criteria with rural members seeking ways to improve rural access to capital.

The Affordable Housing Advisory Council (AHAC) and Affordable Housing Committee (AHC) also provide valuable input throughout the year on our district's housing and lending needs. We will continue to use their input and will survey members and community partners following outreach and training events and as part of the planning for the 2018 Implementation Plan and Community Lending Plan.

### 3: Marketing, Outreach and Training

In 2016, the Community Investment staff continued its collaboration with the Marketing Department to broaden the impact of all Community Investment programs, including CIP advances. We responded to members' needs using joint venues and training workshops throughout the district to promote FHLBI products and resources. Through these and other outreach efforts, we have continued to increase the number of new member participants. CIP advances in 2016 exceeded the year's goal. Collaboration with Marketing will continue in 2017. Community Investment staff also participate in meetings and conferences with other community economic development partners such as state housing finance agencies, state community development trade organizations and other partners.

Six training sessions were offered in March 2016, divided equally between Indiana and Michigan. In addition to providing overview information about the AHP, the Homeownership Initiatives and CIP, the workshops included presentations by member financial institution representatives who shared their experiences with community investment products and lessons learned. Participants were given the opportunity to network by participating in a networking activity. CID conducted an email survey of participants within a week of each session to capture feedback on the location and training opportunities. The overall response was very positive, with most topics receiving a Very Useful rating from a significant portion of survey respondents. Respondents commented positively about the timing of the sessions, locations, and length of presentations.

The mandatory member training for Homeownership Initiatives was delivered via 4 webinars. The webinar training focused on qualifying the household for the programs and the requirements around obtaining repair bids. The webinars were well attended with 370 member representatives, community partners and nonprofit organizations participating.

In 2016, the Community Investment staff provided outreach to all member financial institutions and to partner organizations in Michigan and Indiana through its extensive mailing list and each state's non-profit housing and economic development trade organizations. Staff participated on several task force groups or councils and served as panelists for training sponsored by the state housing finance authorities and statewide housing and community economic development conferences. At each statewide conference, we present a representative from one of our member financial institutions with a Community Spirit Award to honor the individual's outstanding commitment to affordable housing and community economic development. In addition, staff gave presentations at three (3) Interagency forums throughout the district. FHLBI staff exhibited at both the Indiana and Michigan Habitat for Humanity conferences in the fall. AHP in-depth training was offered to 2016A applicants through Training on Demand options available through members, a series of webinars, helplines, help mail, and five days of technical application reviews prior to the application deadline. Community Investment presentations were also incorporated into the Member Symposium held in each state.

A series of two forums were held at various AHP awarded project locations throughout Michigan and Indiana to demonstrate and share best practices on creating high impact housing through the competitive AHP. Because of meeting room limitations, the forums targeted smaller audiences and were intimate, engaged discussions among peers. A total of 33 participants representing members and community development organizations learned from their peers about the challenges faced in developing affordable housing. Host projects were chosen by the specific targeted population each serves: young adults aging out of foster care and victims of human trafficking and domestic violence. Additionally, the Porter County Housing Coalition hosted a competitive AHP workshop for area non-profit partners and community member banks at their newly completed community center. FHLBI staff presented AHP best practices to an audience of approximately 27 housing providers. Several successful AHP sponsors spoke about their application process, the value of pre-application technical reviews, and on-going monitoring requirements and staff-provided one on one technical guidance to help them prepare for the 2017 application cycle.

Finally, a pilot program named Community Mentors was introduced in November 2016. The pilot session targeted a small community outside Indianapolis where 75 community leaders convened to learn from others who have successfully navigated the challenges of engaging community stakeholders to find enduring local solutions for a variety of community and economic development needs. For this event, FHLBI assembled teams from around the state of Indiana who have navigated through the many obstacles and challenges of building strong communities. Attendees heard how a rural community garnered support to bring important services and resources for the community under one roof. Representatives from Evansville, IN discussed how land banking helped revitalize a key problem area for the city and helped earn a Promise Zone Award. Other rural communities described how they earned a Stellar Communities designation and put \$50 million in state resources to work. Participants also heard about placemaking, the newest approach to community development which uses existing assets in strategic and inexpensive ways to create a sense of place for all. The 2016 Community Lending Survey conclusion to review product criteria with rural members seeking ways to improve rural access to capital supports expansion of this program in 2017.

The 2017 outreach and training calendar will repeat successful regional outreach efforts with Marketing staff, which will be conducted in both Indiana and Michigan to give an overview of all Community Investment offerings while providing member/sponsor testimonials and networking opportunities. Mandatory training for the 2017 Homeownership Initiatives will be offered via separate webinars. In addition, program information will be presented at the state affordable housing conferences in our district as well as at conferences sponsored by the FDIC, CRA associations, Credit Union Leagues, Community Action Agencies and various other organizations involved in housing and community economic development and community lending. We will also build on the success of the Community Mentors pilot program with the goal of offering one session in each state of our district. Working with Marketing and other bank staff, we continually identify opportunities for affordable housing and community investment for our members. We will focus on adding value for our members, benefiting communities by involving members in local development and impacting communities with quality targeted community lending.

## 4: Affordable Housing Program (AHP)

FHLBI's AHAC and AHC are comprised of committed and experienced housing and community development advocates and developers, as well as member financial institutions. In addition to the quarterly meetings, an Implementation Plan Subcommittee met monthly by conference call from June through early November to develop the 2016 Community Lending Survey, review the preliminary results of the 2016 Plan and recommend changes for 2017. The Implementation Plan Subcommittee completed its work in November, allowing for the 2017 AHP Implementation Plan to be submitted for AHAC/AHC consideration and recommendation for Board approval at the November Board of Directors meeting. For 2017, the first district priorities continue to be permanent supportive housing (including special needs housing and elderly housing promoting Aging in Community), member financial involvement and economic diversity.

Second district priorities support desirable sites initiatives, small projects and project readiness to proceed. Desirable sites initiative has up to 5 points available for projects that demonstrate proximity/access to public transportation and listed amenity categories. Three points are available for small projects with less than 25 units.

Housing promoting seniors aging in place continues to meet a growing need in both Michigan and Indiana as evidenced by the Community Lending survey results and recommendations. In the Aging in Community scoring category, we encourage the use of Universal Design features best suited to the target population. To make these points more equitable and impactful, two point tiers will again be available in 2017. Projects where all occupants of the units are at least 62 years of age or have a qualifying disability and for which supports are coordinated and planned on-site using an active "Person Centered" planning process, wherein all or a portion of the supportive service costs are incurred by the owner/sponsor as evidenced through a separate and detailed supportive service pro-forma will receive 6 points. Projects where at least 80% of the units are occupied by one person age 55 or older, but not providing on-going resident assessment more than one time per year; wherein such services are provided on a referral basis off-site to agencies and providers of such services and no or minimal supportive service costs are incurred by the sponsor/owner will receive 2 points. The 2017 Implementation Plan clarifies that a supportive service plan is not needed for applications seeking 2 Aging in Community points.

## 5: Homeownership Initiatives (set-aside programs)

The FHLBI will continue contributing the maximum 35% allowable for 2017. FHLBI will make the Homeownership Initiative funding available as *Express* (first come, first served) in one release, without designating specific uses to allow maximum flexibility for our member institutions to use funding based on district needs. As part of the 2017 set-aside calculation, one-third of the aggregate allocation will be to assist first-time homebuyers and \$350,000 will be allocated to accessibility modifications.

A new initiative, the Accessibility Modifications Program (AMP), was introduced in 2014 to respond to our district's aging homeowner population and the needs of disabled households. This comprehensive homeowner rehabilitation program was developed to serve these populations and benefit members and their customers. The 2016 Community Lending Survey responders indicate a continued need to support senior housing and aging-in-place initiatives. Along with the Homeownership Opportunities Program (HOP) and Neighborhood Impact Program (NIP), AMP completes a life-cycle of homeownership programming for our members.

Per our 2016 Community Lending Plan goals, we convened four AMP meetings, two in each state in our district. After briefly reminding attendees of current AMP requirements, we received valuable feedback from members and community partners regarding serving seniors and households with a member living with a disability. Several suggestions for improvement were incorporated into the 2017 AMP Guidelines in the AHP Implementation Plan.

Homeownership Initiative funding was available until early September 2016. With funds exhausted so quickly, we listened to member feedback and will have one funding release in 2017. In 2016, member participants accessed approximately \$5 million in funding that provided assistance to over 595 households.

HOP was again in 2016 the most popular among the member financial institutions. NIP finished strong as well in 2016, providing much-needed home repairs to eligible household. Most funding requests were for roofing, windows and doors, with an average grant request of \$7,260. Several members participated in AMP and provided more than \$437,000 to improve accessibility for household residents by installing ramps and modifying bathrooms.

## 6: Community Support Program

The Community Support Program regulation, 12 CFR Part 1290, was amended on May 28, 2015. The amendments will replace the process of selecting one-eighth of all applicable members for eight quarterly reviews by the FHFA over a two-year review cycle with a process of the FHFA reviewing all applicable members at the same time every two years. By March 31, 2017, we will provide written notice to all members subject to Community Support review that such member must submit a completed Community Support Statement to the FHFA by December 31, 2017.

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

## 7: 2016 Goals and Accomplishments

Goals	Accomplishments
Originate \$100 – 150 million in CIP advances and letters of credit.	2016 CIP originations totaled \$243.8 million. Advances totaled \$230.7 million and letters of credit (including interest) totaled \$13 million.
Support multifamily housing, small business, small farm, or small agri-business lending by encouraging community financial institutions (CFI) use of advances for these purposes through targeted promotional initiatives, monitoring over collateralization requirements for "CFI eligible" collateral, and monitoring amount of "CFI eligible" collateral pledged.	As part of our quarterly analysis, CFI over-collateralization levels are reviewed as is the amount of CFI eligible collateral that is pledged. Both reports are presented quarterly to the Member Services Committee. Also, promotional product sheets used at individual and larger member meetings highlight the additional collateral that is available to CFIs.



<p>Expand the impact of both AHP and CIP by increasing the number of new participants through focused outreach and training workshops. Partner with members, housing associates, member trade organizations, and economic development organizations to develop affordable housing and community development opportunities.</p> <ul style="list-style-type: none"> <li>○ Contact 100% of member institutions with program outreach materials.</li> <li>○ Work with partner organizations to promote events and include articles in their regular communications.</li> <li>○ Increase attendance at training events by 10%.</li> <li>○ Achieve a target of 4 new AHP member participants.</li> <li>○ Achieve a target of 4 new set-aside member participants.</li> <li>○ Promote the AMP by facilitating two outreach meetings in each state between FHLBI member and entities/agencies supporting seniors and/or persons with disabilities.</li> </ul>	<ul style="list-style-type: none"> <li>● All members contacted through 12 Community Investment Bulletins, and the Affordable Housing Advisory Council Annual Report. The member e-newsletter distributed by the Marketing Department typically includes Community Investment Department (CID) features.</li> <li>● The Indiana Association of Community Economic Development (IACED) and the Community Economic Development Association of Michigan (CEDAM) regularly promote FHLBI events in newsletters and via social media. In 2016, CID staff also promoted IACED and CEDAM events by forwarding email invitations to our membership lists.</li> <li>● Attendance at our 6 CID face-to-face workshops increased by 18% in 2016. Attendance at the 2016 outreach workshops was 352 compared to 298 in 2015. Weather was an attendance factor in 2015 so the 2016 workshops were held in March. CID staff has presented program information at 9 conferences or meetings during the year, including both the MI and IN statewide housing conferences, the FHLBI Member Symposium, 3 interagency forums, and the MI CRA conference. We attended and used exhibit space at several additional conferences and events. In 2016, 3 additional forums were presented on the competitive AHP in the fall with 60 attendees. Finally, we held a Community Mentors Roundtable in the fall as a pilot program attended by 75 community leaders. Ongoing outreach occurs through numerous member and sponsor visits to address individual projects and potential opportunities.</li> <li>● AHP applications were received from 3 members using AHP for the first time. One member that had not submitted an application in at least 5 years was reactivated. Two of these applications were awarded and 1 is an alternate award.</li> <li>● Four members became new/reactivated set-aside participants. We have 1 new participant in HOP and 3 new/reactivated participants in NIP. In addition, 3 active HOP/NIP users utilized AMP for the first time.</li> <li>● AMP Community meetings were held in Detroit, Indianapolis, Warsaw, IN and Grand Rapids with 52 members and sponsors attending the four events. CID staff received valuable partner feedback that will be incorporated into the 2017 AHP Implementation Plan.</li> </ul>
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## 7: 2017 Goals

Goals for 2017 are as follows:

- Expand the impact of both AHP and CIP by increasing the number of new participants through focused outreach and training workshops. Partner with members, housing associates, member trade organizations, and economic development organizations to create affordable housing and community development opportunities.
  - Contact 100% of member institutions with program outreach materials.
  - Work with partner organizations to promote events and include articles in their regular communications.
  - Leverage training efforts with other stakeholders to target building organizational capacity for non-profits.
  - Increase attendance at training events by 10%.
  - Achieve a target of 4 new competitive AHP member participants.
  - Achieve a target of 4 new AHP Homeownership Initiatives member participants.
  - Record training webinars for future viewing.
- Support multifamily housing, small business, small farm, or small agri-business lending by encouraging community financial institutions' (CFI) use of advances for these purposes through targeted promotional initiatives, monitoring over collateralization requirements for "CFI eligible" collateral, and monitoring the amount of "CFI eligible" collateral pledged.
- Originate \$100 - 150 million in CIP advances and letters of credit.
- Present a proposal for a voluntary community economic development program to the AHAC and AHC in September.
- Coordinate one Community Mentors event in each state of the district.