



**INVESTING IN OUR COMMUNITIES**

# **2022 TARGETED COMMUNITY LENDING PLAN**



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## 1: Background

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

- 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; and
- 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”) 2021-2023 Strategic Business Plan, the 2022-2024 DE&I Strategic Plan, the 2022 Affordable Housing Program Implementation Plan, and this plan will provide a comprehensive approach to serving our members using all of the FHLBank Indianapolis's products and services.

The Strategic Business Plan focuses on four significant business activities for progress that are designed to deliver results while carefully balancing our risk appetite: promoting advances, managing capital, promoting MPP solutions, and promoting communities. Our core mission is to provide a reliable source of liquidity to member banks, credit unions, community development financial institutions, and insurance companies to support housing finance, asset-liability management, and community lending. We also help communities and families through grants and low-cost loans to our members that help support affordable housing and economic development initiatives.

## 2: Market Needs Assessment

### Introduction

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

### Overall District Trends

According to the 2021 National Low Income Housing Coalition (NLIHC) Housing Needs by State, Indiana and Michigan have 514,831 renter households that are extremely low-income, meaning incomes are at or below 30% of their area median income. Only 35% of them have access to affordable and available homes, leaving a combined shortage of **331,680** rental units for extremely low-income households between Indiana and Michigan. The NLIHC's “The GAP: The Affordable Housing Gap Analysis 2021” states that Indiana and Michigan combined, have an additional deficit of 223,194 of affordable and available rental units for very low-income households, whose incomes are between 30-50% of their area median income. Additionally, the report indicates there is an average of 105 affordable and available units per 100 households at or below 80% of AMI in the District (Indiana and Michigan together) and 106 affordable and available units per 100 households at or below 100% of AMI within the District. Whereas, an average of 75 affordable and available units are available for every 100 households at 50% of AMI in the District and a mere average of 36 affordable and available units exists per 100 households

at or below 30% of AMI in the District. This demonstrates the shortage of units is more significant for those households at very low and extremely low-income levels.

**Figure 1: NLIHC Indiana State Data Overview**

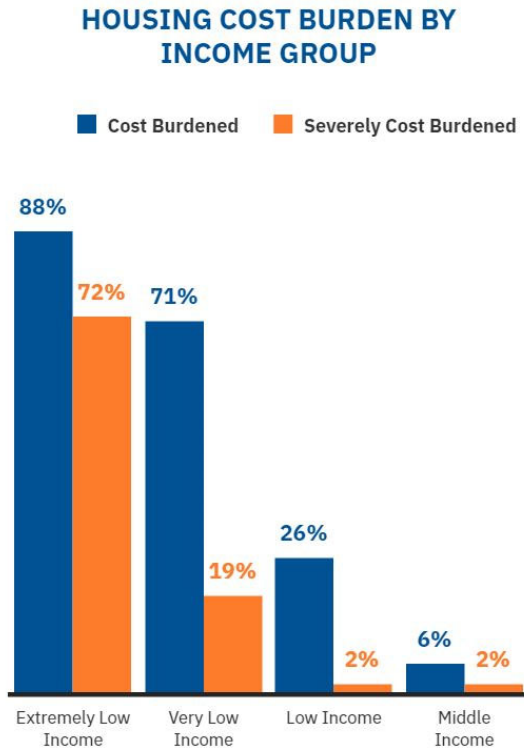


**Figure 2: NLIHC Michigan State Data Overview**

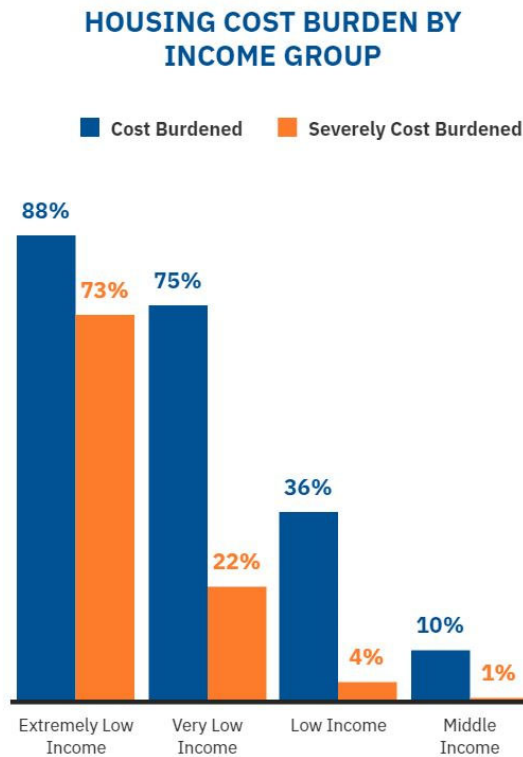


While the affordability and availability of rental homes for households is an evident need throughout the District, an additional need to consider is the level of cost burden households experience. NLIHC defines cost burden as households who spend more than 30% of their income on housing costs and utilities and severely cost burdened as those spending more than half of their income on housing and utilities. The more severe cost burden a household experiences, the more at risk they are to sacrifice other necessities including food, healthcare, rent, ultimately putting them at higher risk for evictions. Largely, the very low and extremely low-income (at or below 50% Area Median Income (AMI)) households are most rent burdened across both states, with the majority of need represented by those in the workforce, senior households, or households with disabilities.

**Figure 3: NLIHC Indiana Housing Cost Burden**



**Figure 4: NLIHC Michigan Housing Cost Burden**



While rental housing units play a key role in addressing housing needs throughout the district, homeownership is an imperative housing opportunity, particularly for low to moderate income households as a means to generate wealth. The state of homeownership across the District throughout 2021 mirrored national trends. As seen across most communities nationwide, both Michigan and Indiana saw a significant increase in home sales in 2021. Homebuyer demand is strong, but housing stock availability continues to decrease. With those two forces combined, home values are rising, and affordability is decreasing. According to the Joint Center for Housing of Harvard University's "The State of the Nation's Housing 2021 Report", the combination of robust demand and limited supply lifted home prices to their fastest pace in over a decade, which has provided a demand for new residential construction. The report continues that "new construction can only do so much to ease short-term supply constraints" and to meet the strong demand, "more existing single-family homes must come on the market." However, the Report warns that with interest rates so low and home prices continually increasing at an exorbitant pace, prices are likely to continue increasing at their rapid ascent in the near term.

These aspects of the current housing market continue to further separate homeownership rates between low-moderate and middle-high income levels and even further between households of color and white households. The Report indicates that "according to the latest Housing Vacancy Survey, the Black-white homeownership gap stood at 28.1 percentage points in the first quarter of 2021, an improvement from the record high of 30.8 percentage points in 2019 but still large by historical standards." The Report goes on to state that "among households earning 50-80% of area median income, just 38% of Black, 43% of Hispanic, 56% of Asian, and 53% of Native American households owned homes, compared with 64% of white households. Accumulating the savings needed for downpayment and closing costs is difficult for most first-time homebuyers, but especially for rental households of color."

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

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

### **Affordable Housing Rental Trends and Policy Shifts**

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

#### Michigan

A significantly large portion of Michigan residents are income strained. According to the 2021 United Way ALICE Report of Michigan, 38% of households live in poverty or qualify as ALICE (Asset Limited, Income Constrained, and Employed). When examining income levels across race, 60% of Black households are at or below ALICE threshold. Hispanic households are also above average with close to 50% at or below ALICE threshold. Also worth noting, just under 75% of all single female-headed households in Michigan are at or below ALICE threshold. This means that 3 out of 4 single female-headed households often must choose between buying groceries or paying monthly utilities. Given FHLBank Indianapolis' strategic focus on Detroit and the District's largest metropolitan area, it also worth noting that 70% of Detroit households are at or below ALICE threshold compared to 38% of the state overall.

Given the substantial portion of income-strained households across Michigan, there is also a significant shortage of affordable rental homes available. As the NLIHC's Housing Needs by State indicates, Michigan has a significantly larger need of rental units for extremely low-income households, over 60% higher than Indiana's rental unit needs. The report indicates there is a shortage of over 202,171 rental units available for extremely low-income households earning at or below 30% AMI. To help put this in perspective against Michigan's population, there are only 35 rental units available per 100 households making at or below 30% AMI. Just over half of these 30% AMI households are also senior households and/or households with disabilities. Households that make at or below 50% AMI are also experiencing severe shortages in the rental market, with only 70 affordable rental units available per 100 households making this income. The NLIHC's "The GAP: The Affordable Housing Gap Analysis 2021" identifies Michigan as one of thirteen states that have less affordable and available units for extremely low incomes than the national level of affordable and available units. Based on this report, Michigan has a total deficit of 359,323 of affordable and available housing units for households at or below 50% of AMI.

FHLBank Indianapolis evaluated Michigan's State Housing Development Authority (MSHDA) Qualified Allocation Plan (QAP) to ensure alignment with statewide housing policy, funding, and initiatives. As MSHDA continues to roll out efforts to compile a statewide housing plan, MSHDA has used data generated from its statewide housing needs assessment to help inform its policy directions around the 2021-2022 allocation of tax credits across the state. According to the 2021-2022 QAP, there will be a shift towards new production of units, an increased weight for projects that are most efficient with Low Income Housing Tax Credits (LIHTC) resources, and data-driven approaches on how to focus on geographic areas with a high concentration of overburdened renters. There will be additional focus on creating better pathways for emerging and nonprofit developers, as well as data collection efforts to better understand how to fulfill Diversity, Equity, and Inclusion goals.

### Indiana

According to the 2020 United Way ALICE Report of Indiana, and very similar to Michigan, 37% of households either live in poverty or qualify as ALICE (Asset Limited, Income Constrained, and Employed). Also similar to Michigan, Indiana's residents of color are experiencing income strain at a much higher level than the state average. Just under 60% of Black households and just over 45% of Hispanic households either live in poverty or are at ALICE thresholds.

According to the 2021 NLIHC Housing Needs by State report, there is a shortage of 126,952 rental units available for extremely low-income households. To demonstrate how much need exists across the state as it relates to population, this shortage results in only 37 affordable and available homes per 100 households with extremely low incomes. Of these extremely low-income households, the majority are in the labor force, seniors, or peoples with disabilities. Households earning 50% AMI or below are experiencing shortages, although less severe than those with extremely low income. For every 100 households with very low incomes, only 81 affordable homes are available.

FHLBank Indianapolis has been a working member of the Indiana Housing Working Group, an initiative of Governor Eric Holcomb and Lt. Gov. Suzanne Crouch's 2021 Next Level Agenda, which will develop a statewide housing inventory platform set to release in Fall 2021. The website will provide a comprehensive county-by-county breakdown of Indiana's housing supply. Data from this platform will be impactful in aligning funding policies with the needs of Indiana. FHLBank Indianapolis evaluated Indiana's Housing and Community Development Authority (IHCD) Qualified Allocation Plan (QAP) to ensure alignment with statewide housing policy, funding and initiatives. According to the 2021 QAP, the Workforce Housing Set Aside category was removed resulting in an increase allocation for Qualified Not-for-Profit developers. Additionally, new scoring categories were introduced to encourage internet access, the leveraging of opportunity zones, and reducing the impact of eviction.

### **Homeownership Trends and Policy Shifts**

In 2020, both states experienced a significant increase in home sales. As noted in the State of Indiana's Housing Market, Indiana had a record number of home sales in 2020 with home sales rising at an unprecedented rate and increases of almost 9% in some markets. Similarly, the Michigan Association of Realtors stated that Michigan experienced a 6% increase in home sales in just one year. Homebuyer demands are growing, while the supply of housing continues to plummet. Due to

these combined forces, home sale prices continue to rise in both states. According to a Homeownership Study conducted by MSDHA, home sale prices rose by over 70% between 2017-2021. The Michigan statewide average price of new construction is \$330,000, yet homes priced at \$200,000 or less are in extremely high demand.

Similar to the rental trends analyzed by race, homeownership rates are substantially lower across minority households. According to the Urban Institute, 40% of African Americans own their homes versus over 75% of White households. The Indiana University Public Policy Institute confirms similar numbers for Indiana, with less than 40% of African Americans owning homes versus over 70% of White households. An IFF publication “The Appraisal Bias: How more equitable underwriting can increase capital in communities of color” stated, “[in] communities that have been historically under-valued due to the legacy of red-lining, appraisal-based lending only perpetuates the systemic racism that redlining created in the first place. It is difficult for banks to underwrite home mortgages where appraised values are significantly lower than people’s willingness to pay.”

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

## **Community Lending Trends**

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

### Mortgage Origination for Low Income Communities

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

When asked what products and services FHLBank Indianapolis could provide to help with these challenges, several respondents mentioned that the Homeownership Opportunity Program (HOP) was a great program but is challenged by the short window of availability and more funds were needed overall. Members stated they would be interested in products that provide special pricing for purchasing mortgages for low-moderate income borrowers to provide earnings that could be passed back to the borrower at a lower rate, as well as funding for refinancing that would buy down the rate or reduce the principal.

### Small Business Loan Origination for Low Income Communities

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

### CDFI Partnerships and Further Discussions

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



## COVID-Related Impacts

The worldwide spread of COVID-19 has had significant impact on communities everywhere. While funding and resources continue to be deployed to help communities throughout Indiana and Michigan, the pandemic has heightened the disparities of low- to -moderate income communities and vulnerable populations. While the pandemic continues, the market needs previously described are likely to be exacerbated with communities needing additional support and resources. The Federal Reserve’s 2021 Survey Results: Perspectives from Main Street recently indicated that half of their survey respondents indicated it will take one to three years for communities to return to pre-pandemic conditions and almost a quarter noted it would take four or more years for housing stability to return to pre-pandemic conditions. Additionally, 60% said that COVID-19 was causing significant disruptions to small businesses and 81% saying the latest conditions were still worse than they were pre-pandemic.

## District Tribal Land

The FHLBank Indianapolis District is home to twelve federally-acknowledged Indian tribes that have sovereign governments that exercise jurisdiction over their members and territory. All of these are located in Michigan, while Indiana does not have any federally declared tribes with tribal land located within the state’s borders. The following twelve 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

## Map from Central Michigan University

As of October 14, 2021, there are three certified U.S. Department of Treasury Native Community Development Financial Institutions (CDFI) in the District, all located in Michigan. At least 50% of their activities are directed toward serving Native Americans. Lake Superior Community Development Corporation, a Native Certified CDFI, is currently a member of FHLBank Indianapolis and originates from the L’Anse Reservation in the Upper Peninsula of Michigan. In 2021, Lake Superior CDC supported 28 households with grant funding from the Homeownership Initiatives.

According to the CDFI Fund Native Initiatives research, Native American, Native Alaskan, and Native Hawaiian communities face unique challenges to economic growth including heightened barriers to accessing capital and basic financial services, as well as increased difficulty interacting with private and public sector programs. FHLBank Indianapolis will continue to identify opportunities to further support Native Communities with CID programs and products.

### 3: Community Investment Programs and Products

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

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

#### Affordable Housing Program (AHP)

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

2020 AHP Funding Round	# of Projects	# of Units	AHP Requested
Pre-Applications	73	3,033	\$30.5M
Final Applications	59	2,499	\$24.9M
Awards	24	1,324	\$11.M

As the table illustrates above, the demand for AHP grant funding far exceeds the allocation available from FHLBank Indianapolis, as is the case every year. In 2020, FHLBank Indianapolis awarded \$11.1 million in AHP grants to 24 projects. Two applications were submitted for Homeownership projects, while the remaining 57 projects were a form of rental housing. All funded projects were rental properties with most of them developed by non-profit organizations. 83% of projects were in stabilizing neighborhoods, meaning projects included an element of preservation, infill development, blight elimination, main street revitalization, and/or located in a targeted investment area. All projects were located near transportation and amenity options striving to reduce transit costs and improve the overall quality of life for their residents.

Members continue to support AHP projects, not only through application submission, but participating financially in the project. 79% of projects received either a financial donation, interim, and/or construction financing from the member financial institution submitting the application. The majority (92%) of projects were mixed income that either commits to assisting extremely low-income households with rent subsidies or provide income integrated housing offering both affordable and market rate units.

The 2021 competitive AHP awards will be approved by the FHLBank Indianapolis Board in November 2021.

#### Programmatic Survey Results

To ensure our programs continually meet the needs of its users, FHLBank Indianapolis conducted a survey sent to all members and sponsors that submitted an AHP application in 2021. We received 6 member responses and 24 sponsor responses.

*Member Survey Results:* 66% of survey respondents represented commercial banks and thrifts while 33% represented credit unions with the majority of respondents representing financial institutions based in Michigan. The majority (83%) indicated the primary reason for supporting AHP projects is believing in the mission of the project. Additionally, 50% also indicated it was due to having financing in the project. Half the respondents indicated they do (or would) consider partnering on an AHP project if their financial institution was not providing the financing. Additionally, half of the respondents indicated they submit AHP applications whenever they are approached with a qualifying project, rather than every 1-3 years. When asked what program parameters would make participation in AHP more appealing, the majority (50%) indicated less reporting requirements, followed by lower risk in retention recapture, having close relationships with qualified housing providers and having a dedicated staff person to maintain program knowledge.

*Sponsor Survey Results:* Of the 24 respondents, 75% represented a non-profit affordable housing developer/provider, 13% represented for-profit affordable housing developers/providers and 13% were consultants. Half the respondents were from organizations doing the bulk of their work in Indiana and the other half do the bulk of their work in Michigan. The majority (63%) indicated project scoring challenges were the most challenging aspect in applying for AHP, followed by aligning targeting commitments with other funders (33%) and the time commitment needed to submit an application. One respondent indicated it was difficult getting member financial participation in the project. The top concerns respondents felt applying for AHP within the next three years ranked: Project scoring challenges (67%), finance gap will be larger than AHP can fill (46%), the application/funding timeline (29%), location of project will not be competitive (21%) and the time commitment needed to submit an application (21%). No one indicated the recapture risk if a project is not compliant as a concern for applying. Five write-in responses indicated they received and appreciated the excellent customer service provided to them by AHP staff. Three respondents indicated they would like to see a different application and process for owner occupied repair projects.

**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 the dream of 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. Funding is available for all programs on a first come-first served basis in one release, without designating specific amounts to each of the three programs, which allows maximum flexibility for our member institutions to use funding based on their own community needs.

In 2021, Homeownership Initiatives Funding was available beginning May 3<sup>rd</sup> and the total \$4.3 million was exhausted by June 7<sup>th</sup>.

	Total Awarded	# of Households Assisted	Maximum Award	Average Award	Average Household Income
HOP	\$281,000	57	\$5,000	\$4,929	\$36,481
NIP	\$3.5M	504	\$7,500	\$6,986	\$26,132
AMP	\$520,000	57	\$10,000	\$9,236	\$24,310
Total	\$4.3M	618	N/A	N/A	\$28,974

Homeownership Opportunities Program (HOP)

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

As the table above illustrates, a total of 57 first-time homebuyers were assisted with HOP in 2021. On average, these homebuyers earn 50-60% Area Median Income. The average contract sales price for homes being purchased with assistance from HOP is around \$120,000 with the average mortgage around \$115,000.

Neighborhood Impact Program (NIP)

The Neighborhood Impact Program (NIP) provides grants of up to \$7,500 to help low-moderate income homeowners with deferred maintenance home repairs. The majority of homeowners partner with a community organization that helps them apply through a member financial institution. To qualify for the grant, the household must be below 80% Area Median Income, owned and occupied the home at least six months prior to applying, 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 2021, a total of 504 homeowners were assisted with NIP. On average, these households earn 40-50% of their area median income. The large majority of repairs made with NIP funds were related to roofing/soffit/fascia.

Most Popular NIP Repairs in 2021	
1.	Roofing/Soffit/Fascia
2.	Repair/Replace HVAC
3.	Windows
4.	Exterior Doors
5.	Gutters/Downspouts

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, be over the age of 62 or have a member of any age with a permanent disability, owned and occupied the home at least six months prior to applying, 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, 57 homeowners made accessibility modifications or repairs with AMP funding in 2021. Of those, 25 were seniors and 32 had at least one person in the household with a permanent disability. On average, these households earn 40-50% of their area median income. The majority of grant funds allocated for AMP went towards bathroom modifications or universal design floor coverings.

Most Popular AMP Repairs in 2021	
1.	Bathroom Modifications
2.	Universal Design Floor Covering
3.	Installation of Smoke/Carbon Monoxide Detectors

Programmatic Survey Results

To ensure our programs continually meet the needs of its users, we surveyed members that participated in any one of our three homeownership initiative programs. We received 13 responses in total regarding their overall participation, challenges to participating in the program, and training needs.

*HOP Program:* Member respondents that participated in the 2021 HOP program selected “identifying qualified applicants” as the biggest challenge to using the program. The majority of respondents do not participate in the HOP program because it takes too much time to administer.

*NIP Program:* The majority of member respondents selected the following as the top three challenges to administering the NIP program: obtaining appropriate income documentation, obtaining two bids, and repairs needed by any given household are ineligible.

*AMP Program:* The majority of member respondents identified that the biggest challenge in administering the AMP program was obtaining two bids for suggested modifications.

Members identified that the biggest area for training needs was for “Income Documentation and Calculation” and “Home Repair Bid Requirements.” Members also mentioned that it would be helpful if either HOP funds were separated out from the rest of the set-asides pool or HOP funds could be reserved. There were additional suggestions on how to update required forms, as well as remove certain required documents and require affidavits instead.

**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 2020, FHLBank Indianapolis members used Community Investment Program (CIP) advances totaling \$307.9 million to fund 19 projects across the country. These CIP advances were predominately used to support affordable housing developments and mortgage portfolio funding.

### **Community Support Program (CSP)**

The Federal Housing Finance Agency adopted regulations establishing standards of community investment or service for FHLBank members who must comply with these standards in order 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 2021, FHLBank Indianapolis is collecting CSS from members to ensure compliance with this regulatory requirement with a deadline date of October 31, 2021.

### **Voluntary Grant Programs**

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

#### Elevate Small Business Grant

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

Elevate continues to be a popular Community Investment program offering. In 2021, the program experienced the largest number of submitted applications with the greatest number of member financial institutions participating, to date. FHLBank Indianapolis awarded grants to 27 businesses for a total of \$519,550. Just under 75% of awarded businesses are located in low-to-moderate income census tracts with an area median income of 120% or less. Similarly, 74% of awarded businesses are minority-, women-, veteran-, or disabled-owned. Projects awarded most commonly included plans for operational expenses, machinery or equipment purchases, workforce development, technology enhancements, and facility improvements, as well as business expansion.

#### Programmatic Survey Results

A survey was issued to all of the members that helped sponsor an application on behalf of the business, as well as all of the small businesses that submitted an application. 12 member responses and 66 small businesses responses were received.

*Member Survey Results:* The majority of member respondents submitted applications on behalf of existing customers, customers with loans, and small businesses in their geographic footprint. Fewer members helped submit applications on behalf of any business in need. All member respondents said that they were highly likely to submit another Elevate grant application. The largest motivation to participate among member respondents was to help the local community.

*Small Business Survey Results:* Approximately 60% of small business respondents found out about the Elevate program from a member, and 70% of small business respondents had a previous business relationship with the member that submitted their application. Of those small businesses that did not have a connection, more than half were connected to a member by using the FHLBank Indianapolis website and member directory. The small business respondents were overwhelmingly positive about the ease and simplicity of the application.

### 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 its inaugural year, 2021, FHLBank Indianapolis awarded a Community Mentors grant to Marquette County, Michigan and Lake County, Indiana. The Marquette County workshop was hosted virtually in partnership with the applying member and community partner to address the county's economic resiliency planning efforts. To date, the Lake County workshop is being planned in-person in late 2021 and will address land banking, affordable housing, and supporting minority business owners.

## **4. Diversity, Equity, and Inclusion**

FHLBank Indianapolis supports diversity, equity, and inclusion throughout their affordable housing and community investment program initiatives through several different strategies and activities. Two representatives from Community Investment are on the Office of Diversity, Equity, and Inclusion Council for the Bank and ensure the objectives, goals, and strategies of the Bank's DE&I Strategic Plan are carried out. In 2021, Community Investments supported diversity, equity, and inclusion through:

- Continued involvement integrating diversity equity, and inclusion focus into Community Investment outreach efforts, where opportunities exist.
- Seeking opportunities to support increasing capacity of diverse affordable housing developers and project team members throughout the bank's district.
- Supporting diverse small businesses by providing education and resources about opportunities with member institutions throughout the bank's district.

## **5. Outreach and Training**

### **2021 Outreach and Training**

Successful execution of all of 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 2021, 100 members indicated interest in participating in one or more Community Investment program or product. Of those, 78 submitted an application or took an advance.

The following outreach and training efforts were conducted in 2021 in collaboration with Community Investment staff, Outreach Partners, and the Business Development Department to achieve the following:

- **Increase Participation in CID Programs:** Outreach efforts focused on strengthening partnerships with municipal and state agencies and leveraging their networks, utilizing a CID investment mapping tool, collecting utilization data across members, and prioritizing direct outreach accordingly.
- **Educate and Increase Member and Partner Capacity:** CID staff offered a variety of training sessions across all CID programs in 2021, with plans to host additional events in the last quarter of 2021, while preparing to launch a community development training entitled “Community Catalyst Training” in January 2022.
- **Address District Needs:** In addition to providing partnership opportunities for members through formal CID programming, opportunities for additional investment and partnership were created through the Community Mentors program as well as a Community Development webinar held in the spring of 2021.
- **Expand Presence in Detroit:** The Bank has hired additional local staff and opened a Detroit Hub office. CID efforts have focused on: building and strengthening partnerships with local development teams, public agencies and CDFIs, identifying members interested in the local market, as well as connecting non-profit partners with members interested in allocating grant dollars within the city limits.
- **Increase Technology Efficiency:** To enhance the application and programmatic experience of members and sponsors, CID staff is working with a third-party vendor to expand the FHLBI.GIVES module for competitive AHP, Elevate, and CIP.
- **Enhance Programs for Members and Partners:** Surveys have been issued to all members and end users of the CID programs. CID staff plans to incorporate specific feedback that helps enhance the program experience for both members and community partners.

## 2022 Outreach and Training

The 2022 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: 2021 Goals and Accomplishments

Goals	Accomplishments
<p>Originate \$75 - 150 million in CIP advances and letters of credit.</p>	<p>As of 9/30/21, CIP originations totaled \$247.3 million. Advances totaled \$132.4 million and CIP-related letters of credit (including interest) totaled \$114.9 million.</p>
<p>Expand the impact of both AHP and CIP by increasing the number of new participants through focused outreach and training workshops. Partner with members, housing associates, member trade organizations, and economic development organizations to develop affordable housing and community development opportunities.</p> <ul style="list-style-type: none"> <li>○ Contact 100% of member institutions with program outreach materials.</li> <li>○ Work with partner organizations to promote events and include articles in their regular communications.</li> <li>○ Increase attendance at training events by 10%.</li> <li>○ Leverage training efforts with other stakeholders to target building organizational capacity for non-profits.</li> <li>▪ Achieve a target of 14 new member financial institution participants applying for community investment products including competitive AHP, Homeownership Initiatives, Elevate and CIP. Consider rebranding of CICA / CIP.</li> </ul>	<ul style="list-style-type: none"> <li>• As of 9/30/21, all members were contacted through 10 Community Investment Bulletins, and the Affordable Housing Advisory Council Annual Report was posted to our public website. The member e-newsletter distributed by the Marketing Department typically includes Community Investment Department (CID) features. As of 9/30/21, we sent 5 CID newsletters with distribution to members, sponsors, and community partners.</li> <li>• Prosperity Indiana and the Community Economic Development Association of Michigan (“CEDAM”) regularly promote FHLBank Indianapolis events in newsletters and via social media. CID staff also promote Prosperity Indiana and CEDAM events by forwarding email invitations to our membership lists.</li> <li>• Our 2021 CID workshops were virtual events. Homeownership Initiatives = 269 attendees, Economic Development = 129 attendees, AHP = 189 attendees. We continue to see both more registrations as well as more attrition with virtual events than in-person events.</li> </ul> <p>CID staff has presented program information at numerous conferences and webinars during the year, including the Michigan CRA Conference, the Community Bankers of Michigan Director’s College, and the Indiana Housing Conference.</p> <p>Ongoing outreach occurs through numerous member and sponsor visits to address individual projects and potential opportunities.</p> <ul style="list-style-type: none"> <li>• AHP applications were received from 4 members using AHP for the first time and 3 reactivated members who have not submitted an application in the proceeding five years. Awards will be approved at the November board meeting.</li> <li>• One member became a new set-aside participant.</li> <li>• Ten members became new Elevate participants.</li> <li>• Two members became new CIP participants.</li> </ul>

Goals	Accomplishments
	<ul style="list-style-type: none"> <li>We expect to release a CICA/CIP module of FHLBI.GIVES in early 2022 and will rebrand the programs with that rollout.</li> </ul>
<p>Seek ways to support organizational capacity including operational funding and staff resources.</p> <ul style="list-style-type: none"> <li>Convene one workshop each in Indiana and Michigan focusing on Underwriting Affordable Housing.</li> <li>Convene at least one Community Development Forum to focus on member financial institutions with interest in housing finance and community investment to cultivate champions among member staff representatives and support peer to peer learning. Adapt outreach messaging for different member charter types and address member concerns for reputational risk.</li> </ul>	<ul style="list-style-type: none"> <li>Underwriting Affordable Housing workshops will be held virtually this year, with one workshop specifically for LIHTC projects scheduled for Thursday Oct. 28 and another specifically for non-LIHTC projects scheduled for Thursday, Nov. 4.</li> <li>The Community Catalyst Series will be launched in the beginning of 2022. The series will include four separate sessions offered through January and February covering the following topics:             <ul style="list-style-type: none"> <li>Introduction to Affordable and Community Development Financing</li> <li>Relationships Needed for Affordable Housing and Community Development</li> <li>Member Involvement in Different Projects</li> <li>How Members Build Out and Support a Program in their Organization</li> </ul> </li> </ul>
<p>Expand the impact of current Community Investment Voluntary Initiatives with a strategic approach driven by our outreach goals, stakeholder preferences, and district needs.</p> <ul style="list-style-type: none"> <li>Coordinate two Community Mentors events in the district and provide each community with a \$10,000 grant to develop a community plan or strategic initiative discussed at the event. Evaluate the application process based on lessons learned from the pilot year. Work toward receiving Elevate applications of higher quality from a wider pool of member financial institutions by continuing to evaluate the structure of the program, marketing the program directly to member staff who interact with small businesses and involving statewide economic development agencies.</li> <li>Incorporate Community Spirit Award winners into the Member Symposium and other events.</li> <li>Continue stakeholder conversations in the Detroit market and establish office space in Detroit.</li> </ul>	<ul style="list-style-type: none"> <li>The Marquette County Community Mentors workshop was hosted virtually in partnership with the applying member and community partner to address the county’s economic resiliency planning efforts. To date, the Lake County workshop is being planned in-person in late 2021 and will address land banking, affordable housing and supporting minority business owners. We developed a 2022 application and awardees will be announced December 15, 2021.</li> <li>We formed a cross-functional working group to develop an Elevate marketing strategy. Developed a tool kit to share with member financial institutions and targeted members who have not participated again since the pilot year. Ten members became new Elevate participants.</li> <li>We updated our Community Spirit Award nomination form and application evaluation measures. We received 8 applications and have selected the two winners. Events will be organized in late 2021/early 2022.</li> </ul>

Goals	Accomplishments
<ul style="list-style-type: none"> <li>▪ Work toward increasing Detroit-based AHP applications from six to seven in 2021.</li> <li>▪ Engage one new member to participate in AHP on behalf of a Detroit-based project.</li> <li>▪ Engage or reactivate one additional member on set-asides program.</li> <li>▪ Increase the number of high-quality Elevate applications from Detroit-based businesses.</li> <li>▪ Partner with Detroit-based organizations focused on DE&amp;I efforts.</li> </ul> <ul style="list-style-type: none"> <li>○ Support immediate needs in the district by evaluating voluntary lending opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>• Signed a lease for a Detroit Hub and began periodically working out of the space in September.                             <ul style="list-style-type: none"> <li>○ We received nine AHP pre-applications from Detroit-based projects and five final applications.</li> <li>○ We engaged five new members to sponsor AHP pre-applications in Detroit, and three new members to submit a final application in Detroit.</li> <li>○ We are engaging with the one new member on set-asides program to partner with a Detroit-based non-profit, with plans to finalize the partnership in 2022.</li> <li>○ We increased the number of high-quality applications from Detroit-based businesses as well as diversified the members that sponsored Detroit-based applications that received an award.</li> <li>○ We partnered and sponsored Capital Impact Partner’s Equitable Development Initiative.</li> </ul> </li> <li>• Completed an analysis of the economic environment conducive to offering a voluntary lending program with subsidized advance rates. Given the levels of liquidity held by member financial institutions, this product will be considered at a more optimal time.</li> </ul>
<p>Support diversity, equity and inclusion in programs that support affordable housing and community development.</p> <ul style="list-style-type: none"> <li>○ Provide outreach to DE&amp;I partners participating in the development team of AHP projects.</li> <li>○ Engage with community development organizations that have DE&amp;I focus.</li> <li>○ Encourage diverse small business owners to engage with members to apply for Elevate grants to help break down barrier of minority entrepreneurs from developing banking relationship.</li> </ul>	<p>As of 9/30/21, the following DE&amp;I initiatives have been completed.</p> <ul style="list-style-type: none"> <li>• AHP staff presented at the Indiana ULI Real Estate Diversity Initiative (REDI) training series where FHLBank Indianapolis a sponsor. AHP staff are preparing to present at the Building Community Value in fall 2021.</li> <li>• CID staff has participated, presented or attended various community development organization events that had a DE&amp;I focus including events hosted by CEDAM, CDAD, and ULI Women’s Leadership Initiative.</li> </ul>

Goals	Accomplishments
	<ul style="list-style-type: none"> <li>• CID expanded partnerships with SCORE business mentors, Mid-States Minority Supplier Development Council, Michigan Minority Supplier Development Council, Great Lakes Women’s Business Council, National Association of Women Business Owners (NAWBO), to help market Elevate and provide mentoring to minority small business owners.</li> </ul>

## 7: 2022 Goals

Goals for 2022 are as follows:

- Expand the impact of all CID programs and products by supporting participants and assisting in building partnerships through focused outreach and training workshops. Partnering 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 housing non-profits.
  - Maintain engagement of 90-100 Members who are engaged with Community Investment program and product offerings through:
    - Registering to participate in Homeownership Initiatives
    - Submitting an Elevate Master Agreement
    - Submitting an AHP Pre-Application
    - Applying for CIP Advances
    - Applying for the Community Mentors Program
  - Provide outreach and follow-up to all Members who indicate their intention of participating in CID programs and products through Homeownership Registered Users, Elevate Master Agreement or AHP Pre-Application, but do not move forward with applying for funding.
  - Consider rebranding of CICA / CIP.
- Originate \$75 - 150 million in CIP advances and letters of credit.
- Seek ways to support organizational capacity including operational funding and staff resources.
  - Convene one workshop each in Indiana and Michigan focusing on building partnerships between members and community partners, housing providers, and developers to ensure relationships are made to best utilize our funding.

- Develop and convene at least one Community Catalyst Training Series to focus on member financial institutions with interest in housing finance and community investment to cultivate champions among member staff representatives and support peer to peer learning. Adapt outreach messaging for different member charter types and address member concerns for reputational risk.
- Expand the impact of Community Investment Voluntary Initiatives with a strategic approach driven by our outreach goals, stakeholder preferences, and district needs.
  - Coordinate two Community Mentors events in the district and provide each community with a \$10,000 grant to develop a community plan or strategic initiative discussed at the event. Evaluate the application process based on lessons learned from the pilot year.
  - Work toward receiving Elevate applications of higher quality from a wider pool of member financial institutions by continuing to evaluate the structure of the program, marketing the program directly to member staff who interact with small businesses and involving statewide economic development agencies.
  - Incorporate Community Spirit Award winners into the Member Symposium and other events.
- Build off the momentum gained in the Detroit market and activate Detroit Hub.
  - Continue to expand activity of experienced AHP members into the Detroit market.
  - Continue to foster partnerships between members and strong Detroit housing non-profits to work together on set-aside programs.
  - Continue to expand activity of experienced Elevate members into the Detroit market and increase the number of high-quality Elevate applications from Detroit-based businesses.
  - Continue to build partnerships with Detroit-based organizations focused on DE&I efforts.
- Support diversity, equity and inclusion in programs that support affordable housing and community development.
  - Develop strategy on how to best support diverse development team members involved in AHP and Homeownership Initiatives.
  - Develop strategy to support financial literacy education to minority populations.
  - Expand outreach and partnership opportunities to promote Elevate to minority owned small businesses.

## 8: 2022 AHP Implementation Plan

The 2022 AHP Implementation Plan will be submitted for AHAC/AHC consideration at the January 2022 Board of Directors meeting. This timing allows FHLBank Indianapolis to clearly show that the Implementation Plan programs, scoring, and guidelines flow from the district needs identified in the Targeted Community Lending Plan, focusing on:

- Broadening ways member financial intuitions can be recognized and incentivized in supporting AHP projects
- Expanding support of AHP projects with different and unique financial structures
- Encouraging support and rental stability for low-income households
- Addressing barriers that may exist for program participation among members and non-members

As discussed in the market needs assessment section of this Targeted Community Lending Plan, there is an overwhelming need for affordable homeownership opportunities as well as significant affordable housing disparities among minority populations. Based on this data, CID is considering the following for the 2022 Implementation Plan:

- Increase Homeownership Opportunities through Competitive AHP: Evaluate implementation plan and scoring components to help expand opportunities for homeownership projects, including purchase, construction, or rehabilitation, to score competitively.

- Expand Opportunities for Minority Populations through Competitive AHP: Explore adding scoring elements that help:
  - Address the disproportionate need for affordable housing across minority populations
  - Projects that involve minority project development team members