

FEDERAL HOME LOAN BANK OF CHICAGO 2008 COMMUNITY LENDING PLAN

Introduction

Pursuant to 12 C.F.R. Sections 952.4 and 944.6, the Federal Home Loan Bank of Chicago (the “Bank”) has developed the Bank’s annual Community Lending Plan. The Bank’s 2008 Community Lending Plan (“Plan”) continues to build upon the first Community Lending Plan of 2000, as credit needs identified in that year’s plan have not materially changed nor satisfied. This Plan consists of three parts. Part I describes Bank Activities in 2008; Part II outlines Quantitative Performance Goals for 2007; and Part III reviews how members are notified of opportunities that enable them to meet the Federal Housing Finance Board (FHFB) Community Support requirements and engage in economic development lending.

According to recent data analyses by federal and state authorities, including the Federal Reserve Bank of Chicago, the Wisconsin Department of Revenue, and the Illinois Commission on Government Forecasting and Accountability, Wisconsin and Illinois demonstrated modest economic growth through the first three quarters of 2007 while the national economy has experienced spotty concentrations of growth characterized as “moderate,” “modest,” and “mixed.”¹ In 2008, economic forecasts predict that the national and statewide economies of Wisconsin and Illinois will continue to grow, but at a slower pace than the previous three years.² Reports concur that the most significant hindrance to growth is housing. The drag is due to an increase in inventory, decrease in sales and building starts, and tightening credit standards that have resulted in a decline in household lending. It is anticipated that housing will not rebound until 2009. Conversely, non-residential construction and business lending and spending have continued to increase and seem unaffected by the residential credit environment. This Plan considers the following trends and establishes a community lending strategy that addresses anticipated member and community-based economic development needs for 2008.

¹ *The Beige Book*. (October 2007). The Federal Reserve Board.

² *Wisconsin Economic Outlook*. (September 2007). Wisconsin Department of Revenue, Division of Research & Policy. *FY 2008 Revenue Forecast and Updated FY 2007 Revenue Estimate*. (March 2007). Illinois Commission on Government Forecasting and Accountability.

I. Bank Activities in 2008

- A. Continue to promote and encourage broad usage of Community Investment Cash Advance (CICA) financing products.**
- **Increase awareness of CICA financing products among members and housing and community economic development organizations.**
 - Continue to build relationships with housing and community economic development partners.
 - Aggressively pursue opportunities to educate members on the benefits and ease of using CICA financing products.
 - Support and participate in conferences and workshops with community economic development organizations.
 - **Continue the outreach, promotion and targeting of programs and coordinate marketing efforts with Relationship Bankers to broaden and increase the use of CICA financing products.**
 - Co-host informal seminars and conduct joint customer calls with Relationship Bankers throughout the district.
 - Use computer software (e.g., Placeware) to host online informational seminars for members.
 - Informational materials celebrating successful CICA financing-related activities to encourage further participation by members and community organizations.
 - **Continue efforts to streamline and facilitate usage of the Affordable Housing Program.**
 - Provide up-front technical assistance to avoid potential monitoring and compliance issues.
 - Enhance the effectiveness of monitoring and compliance reports as management tools.
 - Use computer software (e.g., MS Live Meeting) to host online training and informational seminars for program delivery, monitoring and compliance.
 - Develop an online application and automated monitoring process.

B. Continue to link Community Investment Products to the Mortgage Partnership Finance® (MPF®) Program.

Participating Financial Institutions delivering mortgage loans in the Mortgage Partnership Finance® Program may include loans with AHP grants that are part of homeownership set-aside program sponsored by a FHLB, in their delivery commitments. At the FHLB of Chicago, MPF® and Community Investment staff will collaborate to promote joint usage of both MPF and Community Investment products.

C. Continue operation of the MPF® Endowment.

The MPF Endowment has been deemed a permissible activity under the Community Investment Cash Advance (CICA) regulations of the Federal Housing Finance Board, currently Federal Regulations 12 CFR Section 952. The MPF Endowment (“Endowment”) will provide recoverable assistance to member financial institutions, either independently or in partnership with community-based financial intermediaries participating in small businesses, commercial enterprises, mixed-use projects, and other economic development initiatives benefiting low- and moderate-income residents and areas.

The Endowment, capitalized with Bank earnings that have been substantially enhanced by the Mortgage Partnership Finance Program, is a pilot program available to and through members of the Federal Home Loan Bank of Chicago. During 2008, the Endowment will provide approximately \$500,000 in recoverable assistance, and will offer flexible financing and repayment terms to leverage and enhance member investments in targeted lending activities.

Member financial institutions may use Endowment assistance in conjunction with the Bank’s other community investment credit products, facilitating ongoing community impact resulting in long-term sustainable economic, industrial and business growth, and job retention and creation.

Financial intermediaries with a proven track record in serving small businesses and managing micro-enterprise and community investment lending programs, consistent with the Endowment’s program focus and eligibility requirements, may be considered for program participation by submitting a request through a member financial institution of the Bank.

- Develop tools to monitor and track the implementation and efficacy of the program.
- The MPF Endowment remains a pilot program with participants strategically selected based upon geographic location and a prior history of success in economic development and small business programming.

D. Invest in HUD-Guaranteed Section 184 Loans to promote mortgage lending in Native American areas.

The Indian Home Loan Guarantee Program was created under Section 184 of the Housing and Community Development Act of 1992 to address the lack of mortgage lending in Indian and Alaska Native areas. This program guarantees 100 percent of principal and interest, plus certain costs and expenses, on loans made for the acquisition, construction, and/or rehabilitation of one-to-four family housing located on Indian land. Because much Indian land is held in trust by the U.S. government, it has been historically difficult for lenders to place liens on Indian land, thus hindering Native Americans' access to mortgage loans.

To address this issue the Bank, in late 2003, launched the HUD Section 184 Mortgage Purchase Program through the Community Investment Group. In 2007, the program was transferred to the Mortgage Partnership Finance Program and will continue to be operated under MPF operations going forward. Investment in HUD-guaranteed Section 184 loans constitutes yet another way for the Bank to pursue its mission of assisting members in providing affordable housing financing in their communities.

E. Provide Financing to Small Business Investment Companies.

For the past nine years, the Bank has partnered with the U.S. Small Business Administration (SBA), in providing "Just-in-Time" funding to Small Business Investment Companies (SBICs). Through the "Just-in-Time" funding program, the Bank makes bridge financing available to SBICs in support of their small business initiatives, until longer term financing can be arranged by the SBA. The SBIC securities purchased by the Bank are guaranteed by the SBA, which guarantee carries with it the full faith and credit of the U.S. government. Over the nine year history of the program, the Bank has provided over \$10 billion in "Just-in-Time" funding to SBICs nationwide.

The Bank also worked with the SBA in the development of the Low- and Moderate-Income (LMI) Debenture Program. Through this program the Bank provides long-term funding to SBICs that invest in, and provide management expertise to, small businesses that operate in low- and moderate-income areas, or that provide employment opportunities to low-and moderate-income individuals. LMI debentures are privately placed with the FHLB of Chicago, are guaranteed by the SBA, and have payment and prepayment features customized to assist the SBIC: these securities have a term to maturity of 5- or 10-years; they are zero-coupon instruments, with interest deferred, until maturity for a 5-year, and for the first five years of a 10-year, debenture; and the SBICs have the option to prepay, without fee, after the first year.

F. Invest in the New Market Venture Capital Program.

The SBA's New Markets Venture Capital (NMVC) Program is designed to offer long-term funding assistance to NMVC companies and Specialized SBICs that provide equity capital investment and operational assistance to small business enterprises located in low-income rural and urban areas of the country. At the SBA's request, this program incorporates a funding structure that replicates that employed in the LMI Debenture Program, with the exception that all NMVC debentures have a 10-year term to maturity.

G. Conduct ongoing market research to assess unmet credit needs and market opportunities for community lending.

The Bank will further encourage the use of CICA financing programs by working with new and existing members, to assist them to identify needs in their lending areas, by researching and designing programs to address those needs, and by determining the most appropriate FHLB financing product(s) to address those needs.

H. Provide Technical Assistance to Members and Community Groups.

The Bank will provide technical assistance to stockholders and housing and economic development organizations in the district on an ongoing basis, including assistance with the preparation of applications for community investment programs. Technical assistance activities include presentations and co-sponsorship of community lending workshops and seminars, consultations with members and community development organizations, and continuous staff availability through phone contact.

I. Consult with Affordable Housing Committee, Advisory Council and Others.

The Bank will consult with its Affordable Housing Committee, Advisory Council and with members, nonmember borrowers, and public and private community economic development organizations in the Bank's district to develop and implement its Community Lending Plan.

II. Quantitative Performance Goals for 2008

<i>Community Lending Transactions:</i>	2008
➤ Dollars in CICA Advance Originations (CIP & EDA)	\$ 400 Million
➤ Number of members originating CICA credit products	60
➤ Percentage of members participating in CICA programs	33%

Affordable Housing Program:

- Number of competitive AHP applications 130

MPF Endowment:

- Dollars in Endowment investments \$500,000
➤ Number of Endowment investments 6

Public Relations and Community Involvement:

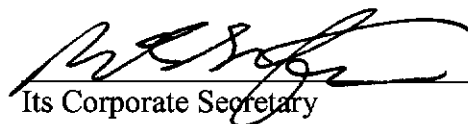
- Number of conferences, workshops, and community events in which the Bank will participate or support 30

III. Annual Notification to Member Institutions

Each year the Bank informs members and others of CICA financing and grant programs and other Bank activities that enable members to meet the FHFBC Community Support requirements and engage in community lending. Notification is provided using the following methods:

- Press Releases
- Special mailings
- Community Investment Advisory Council Annual Report
- Bank publications
- The Bank's website, www.fhlbc.com

APPROVED BY THE BOARD OF
DIRECTORS THIS 18TH DAY OF
DECEMBER, 2007


Its Corporate Secretary