



FEDERAL HOME LOAN BANK OF INDIANAPOLIS

Building Partnerships. Serving Communities.

**COMMUNITY INVESTMENT CASH ADVANCE (CICA)
2009 COMMUNITY LENDING PLAN**

Board approved on January 23, 2009

Federal Home Loan Bank of Indianapolis
Community Investment Department
8250 Woodfield Crossing Blvd.
Indianapolis, IN 46240
Phone: 317.465.0371
Toll-free: 800.688.6697
Fax: 317.465.0376
www.fhlbi.com

1: Background

The CICA regulation requires each FHLBank to develop a Community Lending Plan. This plan is to be 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, nonmember 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 2009 Strategic Plan, the 2009 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. This approach is highlighted in our mission as follows.

Mission

The FHLBI helps families afford housing by partnering with member financial institutions located in Indiana and Michigan to meet their funding needs for both residential mortgage loans and loans to support the economic growth of their communities. The FHLBI also provides grants for building and rehabilitating low-income housing. The FHLBI expects to deliver a market return on the equity investment by its member/owner institutions.

Strategic Objectives

Remain the leading provider of wholesale funds for member institutions.

Provide an attractive secondary market outlet to members wishing to sell mortgage loans.

Deliver funding solutions designed to specifically assist low- to moderate-income families afford decent, safe, and affordable housing and to promote economic growth of local communities.

Provide a return on the members' equity investment that reflects the FHLBI's risk profile and makes ownership of FHLBI stock a desirable investment alternative.

2: Market Needs Assessment

In 2005 the FHLBI conducted a district-wide member survey. One hundred fifty institutions responded to questions covering a wide range of eight FHLBI department/product categories including Credit (Advances), Cash Management, Member Link, and Community Investment. The survey indicated a general lack of knowledge exists within the district regarding community investment programs and services. The Community Investment staff continues to focus on one-on-one member meetings to increase knowledge of FHLBI's programs within our customer base.

In 2008, the Community Investment staff significantly increased its training and outreach efforts. In collaboration with the Marketing staff, Community Investment participated in five regional member meetings throughout the district, featuring member institutions and successful AHP project sponsors and describing CID resources at each of these well-attended meetings. At these regional member meetings, members were requested to complete a Community Lending Survey, identifying the most critical lending needs in their market area. Fifty-five members (35 Michigan and 20 Indiana members) responded to this survey, identifying job creation/retention and small business creation/expansion as the most critical areas. This reinforces the need for outreach and information sharing regarding the Community Investment Program (CIP). Low-

and moderate-income mortgages are the next critical area, with the need for homeownership counseling and financial literacy also rated as critical. Over a third of respondents also rated downtown development as critical.

In 2009 the Community Investment staff will continue to collaborate with the Marketing and the Mortgage Purchase Departments to respond to members' needs and use joint venues to reach out to members and promote FHLBI products and resources.

3: Affordable Housing Program (AHP)

Staff conducted its annual survey of members and sponsors to obtain input into the AHP scoring and the "homeownership initiatives" or set-aside programs. A total of 36 responses were received. Significant comments were received both supporting the current point allocations and advocating for changes in points in the required categories. The highest ranked optional scoring factor is Special Needs, followed by Community Involvement, Community Development, Economic Diversity and Member Involvement. Over 80% of respondents favored keeping the current Second District Priorities of Small Projects (less than 35 units), Project Characteristics, Community Stability (Rehabilitation and Green Initiatives) and Quality of Life Accessibility. The comments, particularly from sponsors, were extensive and informative. Topics included green criteria, impact of foreclosure on neighborhoods, inability of projects to support significant debt, and special needs housing.

The majority of respondents supported the current set-aside grant and match limits for the Housing Opportunities Program (HOP) and Neighborhood Impact Program (NIP) and the current counseling allowance of \$150. Three members proposed an increase to \$7,500 for HOP and \$15,000 for NIP. Current training methods and information sharing (web and bulletins) were generally supported and often applauded.

This survey provided valuable input to the Affordable Housing Advisory Council (AHAC) as it evaluated and proposed changes to the 2009 Implementation Plan. In addition, the Corporation for Supportive Housing staff in Michigan and Indiana were invited to the October 2008 AHAC/AHC Joint meeting to present best practices in supportive housing and to provide feedback on FHLBI's Implementation Plan in this regard.

Staff has also reviewed the Neighborhood Stabilization Program plans prepared by the Indiana Housing and Community Development Authority (IHCDA) and the Michigan State Housing Development Authority (MSHDA) and each state's Qualified Allocation Plans for Low Income Housing Tax Credits in order to assist in assuring compatibility and coordination of resources to respond to affordable housing needs in the district.

Based on previous regulatory authority, FHLBI has entered into monitoring compliance arrangements with the IHCDA and the MSHDA regarding compliance reviews on AHP projects utilizing low-income housing tax credits. This change will greatly improve the efficiency of the monitoring system.

4: Marketing, Outreach and Community Support

Staff has worked to coordinate meetings that include other community economic development partners such as state housing finance agencies, state community development trade organizations and the USDA, at the request of our member institutions. In early 2008 HomeRetain was launched with a well-attended webinar. Community Investment participated in five regional member meetings with the Marketing Division to share information with members about Community Investment resources. This enabled our members to get a broader view of the types of products and services that exist to help meet their community development goals and to create new business opportunities. Staff plans to continue this type of outreach in the future.

The 2009 outreach and training calendar includes two full-day trainings in Indiana and Michigan for members and sponsors to present Community Investment offerings. We will also coordinate and present at two Mortgage Purchase Program trainings. In addition, we will present program information at the state affordable housing conferences in our district as well as at conferences sponsored by CRA associations, Credit Union Leagues, and various other organizations involved in housing and community economic development and community lending. We also offer a series of webinars regarding CICA lending and AHP, including the homeownership set-asides. Working with marketing and other bank staff, opportunities for affordable housing and community investment for our members are continually identified.

5: Homeownership Initiatives Programs (set-aside programs)

The FHLBI will continue contributing the maximum 35% allowable for 2009. FHLBI will make the set-aside funding available as *Express* (first come, first served) in two rounds (spring and fall), without allocation to specific uses to allow maximum flexibility for our member institutions to utilize funding based on district needs.

In April 2008, a proposed rule was issued by Federal Housing Finance Board (FHFB) for the AHP. This proposed rule addressed the use of set-asides for the purpose of refinancing or modification of subprime loans. FHLBI along with the other FHLBanks commented on this proposed rule, requesting additional flexibility to respond to various district needs, identifying that our members were not the originators of the loans creating the subprime crisis, and encouraging administrative simplification. This proposed rule has not been finalized.

In July 2008, the Housing and Economic Recovery Act (HERA) created the Federal Housing Finance Agency (FHFA), an independent federal agency, as the successor regulatory agency resulting from the statutory merger of the Federal Housing Finance Board (FHFB) and the Office of Federal Housing Enterprise Oversight (OFHEO). The FHFA absorbed the powers and regulatory authority of both entities, with expanded legal and regulatory authority, including the ability to place government sponsored enterprises into receivership or conservatorship. The FHFA, on October 17, published an interim final rule proposing the use of set-asides to assist low- and moderate-income homebuyers receiving an FHA Hope for Homeowners loan. FHLBI responded to this interim final rule with comments encouraging linkage with a wider array of refinancing and mortgage modification products likely to be available in our district through state housing finance agencies and through new models being developed by FHFA and FDIC. FHLBI will continue to review and utilize this new authority as this rule is finalized in 2009, based on needs of our members and district, and is proposing the Refinance Assistance Program (RAP), a new set-aside offering.

An additional set-aside offering is also being proposed in response to the HERA funded Neighborhood Stabilization Program (NSP). NSP provides emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities. The Neighborhood Stabilization Program (NSP) provides grants to every state and certain local communities to purchase foreclosed or abandoned homes and to rehabilitate, resell, or redevelop these homes in order to stabilize neighborhoods and stem the decline of house values of neighboring homes. Discussions with both Indiana and Michigan officials developing NSP implementation plans have taken place regarding the usefulness of an AHP set-aside linked to NSP-assisted housing to assist in the marketing and leveraging of this federal resource. This additional set-aside is proposed as Neighborhood Stabilization Assistance (NSA).

6: 2008 Goals

Goals	Accomplishments
Achieve a target of \$50 million new originations in CIP advances.	2008 CIP originations total \$160.5 million.

Achieve a target of 3 new AHP member participants and 3 new HOP/NIP member participants.	Five AHP applications were received from members who had never participated or had not participated in recent years. Three new HOP/NIP member participants signed up during 2008.
Increase CFI lending (advances) and letters of credit by 5%. Letters of credit will be available to credit enhance bond issues for residential housing finance and taxable community economic development projects, and to facilitate member asset/liability management and liquidity.	CFI advances increased \$2.4 billion or 80.9% in 2008. CIP letters of credit issued to CFIs decreased \$897 thousand or -4.0%.
Expand outreach and training to further develop participants in affordable housing and community investment programs. Partner with members, housing associates, member trade organizations, and economic development organizations to develop affordable housing and community development opportunities.	Held two day-long training events in partnership with Michigan Assoc of Community Bankers and Indiana Bankers Assoc. Presented two panel presentations at the Michigan Housing Conference and attended and exhibited at Indiana Housing Conference. Featured successful member/sponsor AHP projects at five FHLBI Regional Member Meetings (3 in MI and 2 in IN). Presented at two sessions of the annual Michigan Credit Union League. Exhibited at six other housing and community economic development meetings and conferences. Served as reviewers for Corporation for Supportive Housing (CSH) institute graduates in IN and MI. Served on Foreclosure Taskforces in IN and MI.
Promote the use of HomeRetain, making modifications as necessary to respond to district needs.	Conducted a webinar in January 2008 to launch HomeRetain, posting the webinar, including questions and answers on FHLBI's website. Modified guidelines in March 2008 in response to member input. Extended program another year, with additional \$100M allocation until June 30, 2009. 2008 HomeRetain originations total \$19.8 million.

7: 2009 Goals

Goals for 2009 are as follows.

- Continue outreach and training to further develop participants in affordable housing and community investment programs. Partner with members, housing associates, member trade organizations, and economic development organizations to develop affordable housing and community development opportunities.

- Contact 100% of member institutions with program outreach materials.
- Increase attendance at training events by 10% including attracting representatives of 10 institutions not currently participating in set-aside programs.
- Achieve a target of 5 new AHP member participants with 3 applications in competitive scoring range.
- Achieve a target of 3 new set-aside member participants.
- Achieve a target of \$50 - \$100 million new originations in CIP advances.
- Promote the use of set-aside programs to address foreclosure issues.
 - Award 100% of set-aside funds in program year 2009, including 10% in projects that address foreclosure prevention and 10% in projects that address neighborhood stabilization.
- Evaluate and determine need for extension of HomeRetain.
- Increase CFI lending (advances) and letters of credit by 5%. Letters of credit will be available to credit enhance bond issues for residential housing finance and either tax-exempt or taxable community economic development projects and to facilitate member asset/liability management and liquidity.