

FEDERAL HOME LOAN BANK OF CHICAGO 2012 COMMUNITY LENDING PLAN

Executive Summary

Pursuant to 12 C.F.R. Sections 952.4 and 1290.6, the Federal Home Loan Bank of Chicago (the “Bank”) presents its 2012 Community Lending Plan (the “Plan”) for the Bank’s district, which is composed of the states of Illinois and Wisconsin (the “District”).

The 2012 Plan consists of five parts: Part I Mission; Part II Market Research, Analysis and District Needs; Part III Community Lending Products and Services; Part IV Quantitative Performance Goals for 2012; and Part V Community Support.

I. Mission

The mission of the FHLB Chicago is to partner with our member shareholders in Illinois and Wisconsin to provide them competitively priced funding, a reasonable return on their investment in the Bank, and support for community investment activities.

The Bank is focused on enhancing service to its members and increasing their utilization of its products and services. In general, the knowledge of the Bank’s Community Investment programs among the Bank’s membership is limited and somewhat inconsistent. In response, and in support of the Bank’s mission, the Community Investment Department will collaborate with the Bank’s Members & Markets Group to increase outreach to members and public and community organizations. By expanding its outreach, the Bank aims to (1) increase the visibility and understanding of Community Investment programs among its members and the District’s communities as a whole, (2) broaden utilization of its programs and (3) establish strategic partnerships with community organizations that help to further the Bank’s housing and economic development mission. From these accomplishments, the Bank expects to also achieve a deeper understanding of market conditions and District needs.

II. Market Research, Analysis and District Needs

The Bank will continue to monitor current market conditions of its District and assess unmet credit needs and opportunities for community lending and affordable housing.

To remain relevant to the community development field and to ensure Community Investment programs are responsive to District needs, the Bank will consult with its Board of Directors, Community Investment Advisory Council, members and public and private community development organizations to identify District needs and to propose strategic actions and initiatives for its Community Lending and Affordable Housing programs. Community Investment staff will reference primary and secondary resources and leverage the expertise of housing finance agencies and community development organizations, and will attend and participate in relevant workshops and conferences. Program users, both members and community organizations, will be solicited for feedback on their experience and satisfaction with programs and services. On-going research and outreach with members, partners and communities will enable the Bank to develop and offer programs that support District needs.

III. Community Lending Products and Services

Discussed in this section are the products, services, and activities supporting the Bank's lending and affordable housing mission.

A. Community Lending Programs

1. Community Investment Cash Advances ("CICA") and Letters of Credit Program

- Coordinate marketing efforts with Members & Markets to increase awareness and utilization of CICA advance and letter of credit products
- Identify cross-selling opportunities
- Update and expand product information on the Bank's website
- Host informational seminars and webinars for members and conduct joint member calls with the Bank's Institutional Sales Directors
- Explore opportunities to establish targeted CICA advance or grant programs

2. Endowment

In 2003, the Endowment was established as a permissible activity under the Community Investment Cash Advance ("CICA") regulations of the FHFA, currently Federal Regulations 12 CFR Section 952. The Bank will do a complete evaluation of the goals and impact of the program as it relates to District needs.

3. Financing to Small Business Investment Companies.

For the past twelve years, the Bank has partnered with the U.S. Small Business Administration ("SBA"), in providing "Just-in-Time" funding to over 300 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.

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 Bank, 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.

4. Financing to SBA New Market Venture Capital Companies.

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.

5. WHEDA and IHDA Bond Purchase Facilities

The Wisconsin Housing and Economic Development Authority ("WHEDA") and the Illinois Housing Development Authority ("IHDA"), both housing associate members of the Bank, issue variable rate bonds in the capital markets to raise funds to make mortgage loans to low- and moderate-income households. In the event that a bondholder does not wish to continue to hold the bond during the variable rate period, it has the right to tender the bond to a remarketing agent, which attempts to sell the bond to another investor. The market for these bonds is such that if the remarketing agent is unable to remarket the bond, either temporarily or permanently, then another investor must step in to purchase the bond.

Under the standby bond purchase facilities that the Bank has entered into with WHEDA and IHDA, respectively, the Bank agrees to purchase bonds that have not been remarketed within the allotted time. The Bank holds such bonds while the remarketing agent continues its remarketing efforts. If such efforts are unsuccessful, the Bank holds the Bonds for a period of five years, receiving interest and semi-annual principal payments. The bond purchase facilities provide needed liquidity for WHEDA and IHDA to continue making mortgages to low- and moderate-income homebuyers.

6. Government-Insured or Government-Guaranteed Loans

The Bank's MPF Government product for our members provides an alternative to holding mortgage loans insured or guaranteed by government agencies in portfolio or selling them to secondary market investors. Eligible loans are HUD Section 184 and RHS Section 502. The risks associated with financing the loans are shared between the member institution and the Bank, and the member institution may choose to either service the loan or sell servicing of RHS Section 502 loans to Colonial Savings, F.A. Investment in government-guaranteed and government-insured loans constitutes yet another way for the Bank to pursue its mission of assisting members in providing affordable housing financing in their communities.

B. Affordable Housing Grant Programs

1. **Competitive Affordable Housing**

- a) Increase member utilization
- b) Provide up-front technical assistance to avoid potential monitoring and compliance issues
- c) Host online training and informational seminars for program delivery, monitoring and compliance
- d) Continue to review and update Competitive Affordable Housing Program (“AHP”) application for more efficient use by the member and sponsor organizations

2. **Set-aside**

- a) Increase member utilization
- b) Increase marketing and promotional efforts
- c) Support member marketing efforts of program
- d) Seek joint marketing opportunities with the Bank’s MPF Program, as well as external homeownership loan and grant programs
- e) Host training seminars

C. Other Activities

1. **Public Relations and Outreach**

The Bank will increase its efforts to build relationships with housing and community development organizations. As a part of that effort the Bank has created a specific team within the Community Investment Department dedicated full time to community outreach and development. Community Investment Department will also play a more active role in connecting organizations and members when we see opportunities for cooperation. Training on Bank programs will be expanded in scope and the number of training sessions will be increased. Sponsorship of affordable housing and community economic development conferences will be increased. The Bank will also support and participate in financial education efforts in the District.

2. **Operational Efficiency**

The Bank will evaluate, revise, and implement new policies and procedures for its Community Investment programs. The goal is two-fold: to achieve greater efficiency with respect to internal processes and to enhance the value proposition for members. Internal efficiencies such as improved turn around times on disbursements and improved response times to requests for technical assistance will enhance the member’s experience and satisfaction with utilization of the programs. The Bank will also produce detailed requirements for a new system to be implemented in 2013. The system will have more extensive online capabilities to serve member and sponsor needs.

3. Community First Newsletter

Pursuant to the 2009 Community Lending Plan, the Community Investment Department published the first quarterly edition of the *Community First* newsletter in October 2008. The newsletter continues to highlight member activities successfully utilizing the Bank's community lending and affordable housing products.

In 2012, the newsletter will continue to feature those member stories, provide guidance on how to maximize the use of Community Investment programs and services and educate members and community organizations on the latest development in the community development field.

4. Community First Partnership Awards

The Community First Partnership Awards were established in 2009 to recognize outstanding achievement in affordable housing and/or community economic development by a member bank and a non-profit community organization working in partnership to revitalize communities in Illinois or Wisconsin. The recognition of these partnerships will continue in 2012. The Bank will promote these awards to members and communities as way to highlight innovative approaches to creating sustainable communities.

5. Technical Assistance and Training

The Bank will enhance the training it provides for its programs. Staff will be available year-round to discuss program requirements and to provide technical assistance as needed. Various members of the Community Investment Department and other departments will actively participate in workshops, seminars, conferences, and other events when their expertise will contribute to the success of the effort. The Bank will take a more active role in connecting connecting technical needs in the district with organizations that can best meet those needs when appropriate.

6. Staff Capacity Building

The Bank will focus training on key areas. One of the primary goals is to free up more time for staff to visit project sites and spend time with sponsors, members, and community organizations. Operationally, there will be a focus on internal training geared toward conducting day to day business in a more efficient manner. There will also be ongoing support of education and training to further develop the knowledge and skills of the Community Investment Department.

IV. Quantitative Performance Goals for 2012

- Contact 100% of member institutions with program outreach materials
- Host 15 program training events (informational sessions, trainings, webinars, technical assistance)
- Achieve a 5% increase in the number of members participating in Community Investment grant programs
- Achieve a target of 5 new competitive AHP sponsor participants

V. Community Support

Each year the Bank informs members and housing and community economic development organizations of the CICA financing program, Affordable Housing grant programs and other Bank activities that enable members to engage in community lending and meet the FHFA Community Support requirements. Notification is provided using the following methods:

- Press Releases
- Special mailings
- Community Investment Advisory Council Annual Report
- Bank publications, including the *CommunityFirst* quarterly newsletter
- The Bank's website, www.fhlbc.com
- Informational Seminars and Webinars

APPROVED BY THE BOARD OF
DIRECTORS THIS 15TH DAY OF
DECEMBER, 2011


Its Corporate Secretary