



Federal Home Loan Bank of Indianapolis

Community Investment

2004-2005 Community Lending Plan

Federal Home Loan Bank of Indianapolis
Community Investment Division

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1-Background

In 1998, the Federal Housing Finance Board adopted the Community Investment Cash Advance (CICA) regulation to provide FHLBanks an avenue for expanding community investment initiatives.

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 2003-2005 Strategic Plan, the 2004 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.

The mission of the FHLBI is to maximize the value of membership through its support of Indiana and Michigan financial institutions by

1. creating and offering financial products and services that assist and improve its members' financing of housing and community lending,
2. promoting and contributing to activities vital for fulfilling affordable housing and community investment objectives,
3. providing a market return on the capital invested by shareholders, and
4. creating a challenging work environment in which all employees have the opportunity to reach their potential.

2-Market Needs Assessment and Results

In late 2002, the FHLBI conducted separate surveys of our member institutions and nonprofit-housing, community development organizations, local units of government, state housing agencies and others. Participants were asked to assess needs that exist in their communities or with the constituents they serve on a scale of 1 to 5, with 5 being the greatest need.

The highest rated needs from the member survey are as follows.

Community development product or service	Avg. need rating
Downpayment and closing cost assistance on mortgage loans	3.00
Start up working capital and expansion loans for small business	2.56
Capital improvement loans for small business	2.44

The highest rated needs from the nonprofit survey are as follows.

Community development product or service	Avg. need rating
Downpayment and closing cost assistance on mortgage loans	3.35
Financing for special needs housing	3.28
Financing for affordable rental housing	2.44

The most important data received in this survey, however, was the response to the utilization of existing FHLBI community development products. Fifty-one percent of the member respondents who had not used the AHP indicated it was because of

lack of knowledge and 47% had not used CIP for the same reason. The numbers were even greater in the Community Organization survey. This would indicate a continued need for education and outreach on the existing programs, perhaps in nontraditional formats, i.e., use of the Bank's website to assist in marketing efforts.

3-Community Investment Program

The Community Investment Program (CIP) provided financing for a broad range of projects in 2003. These included medical office buildings, infrastructure for commercial development, and numerous multi-family rental projects. The CIP continues to play an important role in multi-family tax credit developments. Investors in tax credit projects are increasingly requiring fixed rate, long-term commitments for the debt in these projects. Members rely on the CIP's flexibility and ease of use in addition to the attractive financing options in order to participate in these types of loans.

The FHLBI will continue to evaluate the synergies that exist between the New Markets Tax Credit program (NMTC) and the CICA product as the NMTC develops. The FHLBI will disseminate information regarding the NMTC and other economic development information to our member banks to increase their knowledge of this product.

4-Affordable Housing Program

The AHP continues to provide critical gap financing for affordable housing projects. AHP enables member banks to actively participate in the development of affordable housing, expand new relationships with non-profit and for-profit developers, and increase community presence.

Coordinated monitoring efforts with the Michigan Development Housing Authority (MSHDA) should gain momentum this year.

5-Set-Aside Program

The set-aside programs continue to be very popular with member banks primarily because the programs of their ease of use and accessibility. The new programs created in 2003, Homeownership Opportunities Program (HOP) and Neighborhood Impact Program (NIP) programs. The FHLBI will contribute 35% (approximately \$5 million) of the 2003 AHP contribution to these three programs, distributed as follows.

1. Homeownership Opportunities Program - \$1.6 million or 30% of the total set-aside.
2. Neighborhood Impact Program - \$1.7 million or 30% of the total set-aside.
3. Home Savings Program - \$2.3 million or 40% of the total set-aside.

In addition, the FHLBI was able to track gender, ethnicity and other statistical information regarding the recipients of these programs. The FHLBI will continue contributing the maximum 35% allowable for 2004.

6-Marketing, Outreach, and Community Support

Over the past several years seminars have been conducted to educate the industry about FHLBI programs. This year, however, we decided to provide one-on-one training and consultations. Housing professionals and members who applied for funds in Round A, but were not awarded, benefited from post-application consultations in which they discussed and received feedback regarding scoring, opportunities for improvement, and the overall viability of projects. Others who were planning to apply in Round B received guidance as staff reviewed draft version of applications and overall project plans.

Due to a great need for training expressed by professionals in the Detroit area, we also added a special AHP application training session in Dearborn, Michigan. A brief overview of the program was provided and the actual steps required to successfully complete an application were explained. This training was geared toward those who were unfamiliar with the application process.

The training and consultations were successful. Participants especially like the one-on-one format. The consults were held at the following locations:

- Merrillville, Indiana
- Indianapolis, Indiana
- Dearborn, Michigan (with AHP training)

- Muskegon, Michigan

7-2003 Goal Review

Goals	Accomplishments
\$100 million new originations in CIP advances.	\$97 million in new originations.
Issue \$10 million in CFI letters of credit to support multi-family housing, small business, small farm or agri-business (bank-wide goal).	Issued 8.4 million in letters of credit to CFI members for such purposes.
Increase CFI lending (advances) for multi-family housing, small business, small farm or agri-business by \$10 million.	Outstandings decreased by \$1.57 million.
Enhance website and <i>Housing Matters</i> with highlights of CIP/CICA projects as well as other economic development news, i.e., New Market Tax Credit (NMTC) information.	Currently in process. New CIP application, enhanced information and reporting documents to be introduced 1 st quarter. Working with bank wide Communications Task Force to coordinate external communication strategies.

Note: The lack of targeted advance growth reflects the lack of growth in the entire advance portfolio as market conditions constrained demand for advances.

8-2004 Goals

Goals for 2004 are as follows.

- Achieve a target of \$100 million new originations in CIP advances to exceed bank wide goal of \$50 million in order to deliver maximum employee incentive distribution.
- Increase CFI lending (advances) and letters of credit by \$25 million. 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.