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**Today's Agenda**

- 9:00 Introductions and Overview of AHP, CIP and Homeownership Initiatives
- 10:15 Break and Networking Opportunity
- 10:30 2011 Homeownership Initiatives Training
- 12:00 Networking Lunch

Community Investment Programs 2

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**FHLBI Mission**

- ▶ Help families afford housing by partnering with member financial institutions located in Indiana and Michigan
- ▶ Meet member funding needs for liquidity, residential mortgage loans, and loans to support the economic growth of their communities
- ▶ Provide grants for building and rehabilitating affordable housing
- ▶ Deliver a market return on members' equity investment

Community Investment Programs 3

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**Not your typical GSE**

- ▶ Cooperative structure
- ▶ Contributes funding annually to affordable housing
- ▶ 21 years of delivering a "community dividend"

Community Investment Programs 4

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**"Community Dividend" We Deliver**

- ▶ FHLBI annually reinvests at least 10 percent of our net earnings into affordable housing in partnership with our members
- ▶ Like every "dividend", this contribution is predicated on earnings
- ▶ FHLB's Affordable Housing Program (AHP) constitutes the largest single source of private "capital" for affordable housing in the country
- ▶ No other provider of liquidity pays this dividend

Community Investment Programs 5

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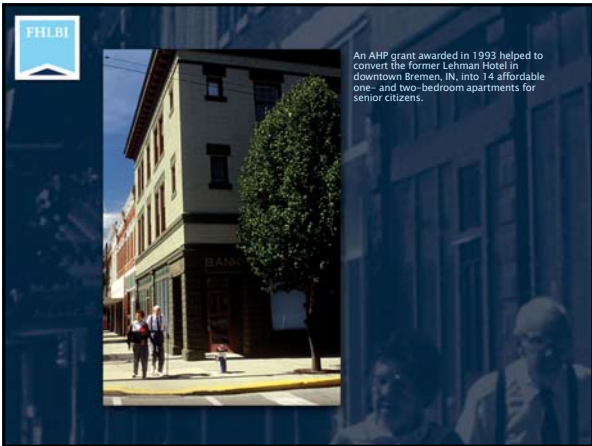
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An AHP grant awarded in 1993 helped to convert the former Lehman Hotel in downtown Bremen, IN, into 14 affordable one- and two-bedroom apartments for senior citizens.

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**The FHLBI Advantage**



- ▶ Community Investment Department managed by experienced staff
- ▶ AHP overhead absorbed by FHLBI
- ▶ Intensely regulated - Never the subject of financial abuse or scandal
- ▶ 100% of available funds invested in communities
- ▶ 100% of recaptured funds are redeployed
- ▶ Accountable and transparent – Affordable Housing Advisory Council comprised of 12 community representatives from MI and IN
- ▶ Board of Directors comprised of elected member institutions – independent directors also elected by members

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**21 Years of AHP & CIP**



*The Community Dividend*

- ▶ Over \$158.5 million in AHP to support 22,635 affordable housing units
- ▶ \$2.7 B In low cost advances to support community and economic development initiatives
- ▶ How can you get more from your FHLBI membership?

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Citizens First Savings Bank obtained two CIP advances helping Schefenacker Visions System USA expand its business in MI. The plant, located in Marysville, MI produces and assembles mirror shells for automobiles. The first CIP advance in 2005 funded a new facility enabling Schefenacker to fulfill painting, production and assembly at one plant. This allowed it to remain competitive and retain 750 employees. The second advance in 2006 funded additional warehouse space attached to the new plant.

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**Gain Advantage**

FHLBI Community Investment Programs



- ▶ Affordable Housing Program (AHP) – grant funding to create rental and homeownership opportunities for low- and moderate-income households
- ▶ Homeownership Set-asides (HOP, NIP, NSA) – down payment, closing costs assistance and homeowner rehabilitation to income eligible households
- ▶ Community Investment Program (CIP) Advances and Letters of Credit – discounted advances and letters of credit to support targeted housing and economic development

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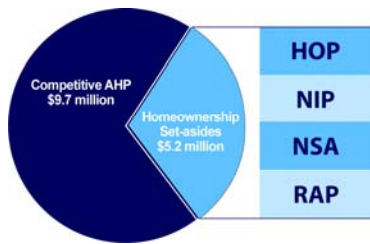
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**Projected AHP Contribution Allocation**

(not finalized for 2011)




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**Using AHP to Create and Preserve Housing**



- ▶ Existing rental stock in Michigan and Indiana in need of rehabilitation
- ▶ More people in your community qualify for and need affordable housing
- ▶ AHP is aligned with the goals of Michigan and Indiana state housing agencies, encouraging development of supportive housing and small scale family and senior affordable housing
- ▶ Green construction/rehabilitation focus assures long-term sustainability
- ▶ Local housing developers need FHLBI members willing to participate in AHP on their behalf

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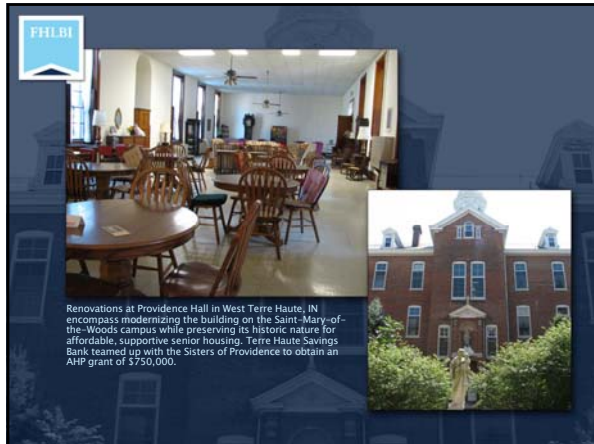
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**Opportunities**

- ▶ Current housing market has created unique consumer and business development opportunities for members
- ▶ FHLBI Community Investment programs provide a competitive advantage for members in today's challenging consumer and business market
- ▶ Member participation stimulates economic development, job creation and increased tax revenues in local communities

Community Investment Programs 14

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**Affordable Housing Program (AHP)**

- ▶ Provides a direct subsidy (grant) for acquisition, rehabilitation or construction of affordable housing of various types
- ▶ Only FHLBI members may apply for AHP funding
- ▶ Sponsors are non-profit or for-profit housing developers who partner with FHLBI member

Community Investment Programs 15

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**AHP**

- ▶ A single funding round in 2011
- ▶ Competitive application process
- ▶ Maximum grant \$750,000 per project
- ▶ Grants - direct subsidies
- ▶ No limit on how many AHP projects a member can apply for or be awarded per round
- ▶ Deliver funds to project through the member's CMS account

Community Investment Programs 16

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Tree City Estates in Greensburg, IN consists of 8 two-story buildings for a total of 64 apartments. Amenities will include a community building with a computer room, full kitchen, an office for social service agencies providing assistance to tenants, and activity room. Ameriana Bank, partnered with Developmental Services, Inc. to obtain an AHP grant of \$400,000.

Community Investment Programs 18

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**Eligible AHP Uses**

- ▶ Land or building acquisition
- ▶ Down payment and closing costs for homebuyers
- ▶ Construction or rehabilitation costs
- ▶ Owner-occupied rehabilitation
- ▶ Some soft costs (developer fee, architectural, legal, survey, engineering)

Community Investment Programs 18

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**Ineligible AHP Uses**



- ▶ Operating or administrative costs of sponsor
- ▶ Infrastructure costs
- ▶ Processing fees charged to administer AHP
- ▶ Replacement or operating reserves including investor service fee reserves

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**Typical AHP Projects**



- ▶ Multifamily rental projects
  - Senior (not assisted living, hospice or nursing homes)
  - Family
  - Scattered site homeownership, lease purchase or rental
  - Domestic violence shelters
  - Permanent supportive housing
  - Emergency/transitional housing

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**Typical AHP Projects**

- ▶ Homeless shelters
- ▶ Habitat for Humanity projects
- ▶ Neighborhood redevelopment projects

Community Investment Programs 22

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**AHP Definition of Affordable:**

- ▶ 80% of area median income for homeowner projects
- ▶ 50% of area median for rental projects (at least 20% of units must be affordable to households at 50% of area median income)
- ▶ Mixed income rental projects are allowed

Community Investment Programs 23

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Bridge Street Place in Grand Rapids, MI, offers 16 units for homeless individuals who are domestic violence survivors. The building was renovated with the help of an AHP grant of \$220,000 awarded to United Bank of Michigan in partnership with Heartside Nonprofit Housing Corp.

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**AHP Affordability, continued**

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Rental:

- ▶ Rent does not exceed 30% of household income

Homebuyer:

- ▶ Mortgage payments which do not exceed 35% of borrower's monthly income. Borrower's total debt must be less than 45%

FHLBI

Community Investment Programs 25

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**Benefits to Members:**

*Your "Community Dividend"*

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- ▶ Enables members to maintain or establish new consumer relationships
- ▶ Develops lending partnerships with housing developers, community representatives, and government agencies
- ▶ Provides critical gap funding to important local projects – leverages funding
- ▶ Contributes to community goodwill - positive publicity
- ▶ Supports members' contributions to improve local affordable housing options
- ▶ Improves market competitiveness, profitability, long-term assets
- ▶ Helps achieve community investment and CRA goals

FHLBI

Community Investment Programs 26

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**Implementation Plan:**

*Your map to a successful application*

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- ▶ Establishes feasibility guidelines
- ▶ District eligibility
- ▶ Time limits on use of subsidies
- ▶ Retention agreement requirements
- ▶ Defines "affordable" income limits
- ▶ Monitoring procedures and guidelines
- ▶ 2011 Plan posted on FHLBI's website

FHLBI

Community Investment Programs 27

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**Scoring AHP Applications**

- ▶ Scoring categories are mandated pursuant to Federal Regulation
- ▶ Fixed point and variable point scoring criteria
- ▶ 100 points required
- ▶ Income Targeting must be allocated 20 points (homeownership and rental projects scored separately)
- ▶ Remaining criteria must be allocated at least five points each (either fixed points or variable)

Community Investment Programs 28

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**Scoring AHP Applications *continued***

- ▶ Donated Property – 5 points
- ▶ Non-profit Sponsorship – 7 points
- ▶ Housing for Homeless – 5 points
- ▶ Promotion of Empowerment – 5 points
- ▶ Special Needs – 5 points
- ▶ Member Involvement – 10 points
- ▶ Economic Diversity – 3 points
- ▶ Small Projects (less than 50 units) – 5 points
- ▶ Development/Design Characteristics – 8 points
- ▶ Subsidy per unit – 12 points
- ▶ Community Stability – 15 points

Community Investment Programs 29

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**Plum Tree Gardens**  
Affordable and Environmentally Sustainable  
Quality Community for Seniors 55 and older

Developed October 2009  
Harrisburg, PA

Created by the 501(c)(3)  
Non-Profit  
Habitat for Humanity  
Harrisburg Chapter

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**Project Thresholds**

- ▶ Sponsor must have capacity and experience to develop or preserve housing project or partner with an experienced party
- ▶ Project readiness must be demonstrated by site control, zoning and commitment of critical financing (generally 70% of project funds should be applied for or committed by AHP application deadline)
- ▶ Projects must comply with state and federal fair housing and accessibility laws and regulations
- ▶ AHP applications must demonstrate project feasibility and need for AHP subsidy (determined by analysis of sources and uses of funds, development budgets, 15-year operating budgets, and market demand)

Community Investment Programs 31

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**Member Role**

- ▶ Conduct usual and customary loan due diligence prior to application submission (FHLBI underwriting of project should not be relied upon by member or any other funder for lending purposes)
- ▶ Review and approve applications, any necessary award modifications or project extensions, project progress reports, disbursements, initial and long-term project monitoring reviews
- ▶ Sign AHP Tri-party Agreement (if awarded funding)
- ▶ Review all disbursement requests
- ▶ Ensure a legally enforceable retention agreement or mechanism is in place
- ▶ Passes subsidy through to project

Community Investment Programs 32

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**Sponsor Role**

- ▶ Contact FHLBI Member well in advance of AHP application round to ensure willingness to participate and understand Member expectations
- ▶ Review FHLBI Implementation Plan and participate in AHP application Webinars
- ▶ Submit Notice of Intent for potential projects per deadline
- ▶ Thoroughly review and submit AHP application to Member per Member's deadline
- ▶ Respond promptly to any requests for additional information during application review period
- ▶ Sign Tri-party Agreement (if application is awarded)
- ▶ Meet AHP Compliance requirements, including preparation of disbursement requests and progress and monitoring reports

Community Investment Programs 33

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**Retention Requirement**

- ▶ Legal mechanism recorded to ensure property is used for affordable housing during retention period
- ▶ 15 years for rental, 5 years for homeownership
- ▶ Generally a deed restriction, second mortgage 'soft' second
- ▶ Specific language is required by Regulation to be included in the retention mechanism

Community Investment Programs 35

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**AHP Monitoring**

Sponsor prepares reports and submits to Member semi-annually during development phase. Member submits reports to FHLBI.

- Semi-Annual Progress Report is due June 1 and December 1 each year
- When project is reported complete on the Semi-Annual Progress Report, a Completion Packet is sent to Sponsor and Member to obtain documentation necessary for project completion review.

**Long Term Monitoring for Rental Projects**

- Project is habitable
- Rents and incomes are in compliance with targeting commitments

Community Investment Programs 36

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**AHP Succeeds for Three Reasons**



- ▶ Flexibility and funding for housing initiatives
- ▶ Members' local knowledge and relationships with local housing developers
- ▶ Member involvement in the AHP project through review and reporting

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Keystone Village in Traverse City, MI, fulfills a critical housing need for homeless families and young adults, as well as for victims of domestic violence.

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**Upcoming AHP Training Opportunities**



- March 3 Webinar – Application and Scoring
- March 10 Webinar – Financials
- March 17 Webinar – Exhibits and Documentation
- March 23 Learning Lab for first-time applicants at FHLBI's Indianapolis office
- March 31 Webinar – For Members Only

Register at FHLBI's [Event calendar](#) at [www.fhlbi.com](http://www.fhlbi.com)

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Find out more about AHP



To find out more about the competitive AHP application, funding and monitoring process, please contact Trish Lewis at [plewis@fhlbi.com](mailto:plewis@fhlbi.com) or call 1.800.688.6697.

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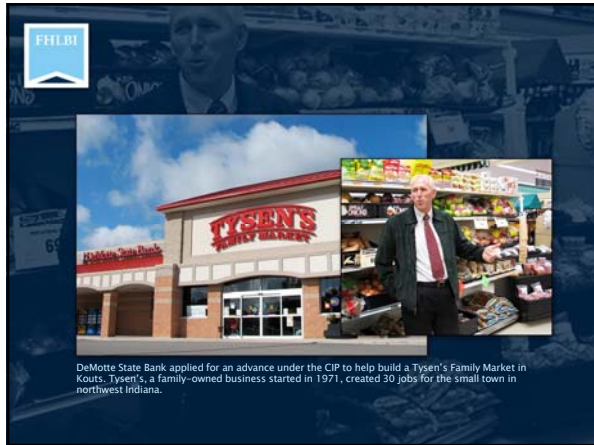
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What is CIP?



- ▶ Special purpose advances for housing or community economic development purposes available at FHLBI's cost of funds, plus a nominal administrative fee (Non-competitive)
- ▶ Letters of credit to enhance bond issuances funding affordable housing and taxable non-housing municipal bonds
- ▶ The application process is open year-round
- ▶ Processing typically completed within 5-7 business days

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**CIP Advances & Letters of Credit**

- ▶ FHLBI's lowest-cost funding for economic development, affordable housing, and mixed-use initiatives
- ▶ Broad eligibility for both residential and commercial purposes
- ▶ Always available
- ▶ Flexible terms/schedule and use of funds
- ▶ No ongoing reporting
- ▶ Create housing, improve business districts, and strengthen neighborhoods

Community Investment Programs 43

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**The application process is easy!**

- ▶ Complete the application at [CIP application](#)... It's only 5 pages!
- ▶ All of the project's loans must be closed and funds fully disbursed, or construction draws funded, within 90 days prior to the CIP commitment date and/or ending 6 months after the funding date
- ▶ FHLBI staff is available to help qualify projects

Community Investment Programs 44

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**No ongoing CIP reporting**

- ▶ Only a single report is required within the 6 month commitment period
- ▶ There is no ongoing follow-up or monitoring required
- ▶ No obligation to disburse on commitments

Community Investment Programs 45

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**Bridge Loan Advances**

*Housing & Community Development*

- ▶ Traditional bridge loan financing can be expensive for community projects. Members can use low-cost CIP advances for housing and community development bridge loan financing in the following ways:
  - Construction financing
  - Financing to bridge the pay-in of the equity investment during the construction period; may include Low Income Housing Tax Credits as well as other tax credits or equity investments such as state or federal historic tax credits
  - Financing to bridge the pay-in of other state or federal grant funding
  - Financing to bridge the pay-in of permanent financing

Community Investment Programs 47

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**Other Eligible CIP Financing**

- ▶ Use CIP to provide financing for predevelopment, purchase, construction, rehabilitation, or refinance:
  - Housing (residential)
  - Economic development (nonresidential)
  - Mixed use (combination of residential & nonresidential)
- ▶ Or to fund:
  - Future originations
  - Originations up to 3 months prior
  - Loan refinancing
  - Entities that make loans for eligible housing or economic development initiatives

Community Investment Programs 48

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**Eligible CIP Uses**

- ▶ Members may use CIP to purchase:
  - Participation interest in a loan consortium
  - Mortgage Revenue Bonds
  - Mortgage-backed securities

Community Investment Programs 49

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**How does your institution benefit?**

- ▶ Generates additional business, loan volume, new and future customers
- ▶ Meet the credit needs of your community, potentially offering lower rates than competitors
- ▶ Enhances community relations
- ▶ Match funding to mitigate interest rate risk
- ▶ Fulfills Community Reinvestment Act (CRA) lending and/or investment tests

This does not constitute CRA advice. Please consult appropriate advisors.

Community Investment Programs 50

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**CIP Residential Eligibility – Ownership Units**

- ▶ Individual or multifamily owner-occupied (All units must serve households with incomes at or below 115% of area median income)
  - Part of separate residential mortgage program designed to increase homeownership, such as first-time home-buyer program, and are identifiable separately from applicants' standard loan portfolio
  - Multiple units of single-family, owner-occupied housing, such as a subdivision or neighborhood development

Community Investment Programs 51

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**CIP Residential Eligibility – Rental Units**

- ▶ At least 51% units will be owned by "income-eligible" families <115% AMI
- ▶ At least 51% units occupied by income-eligible families
- ▶ Rents for >51% units at <30% of income

Community Investment Programs 52

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**CIP Eligibility – Economic Development Initiatives**

- ▶ Eligibility for economic development initiatives are determined by one of following:
  - Geographically defined beneficiaries
  - Individual beneficiaries
  - Activity beneficiaries

Community Investment Programs 53

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Community Investment Program funds can support small business expansions, as well as job creation and retention. Tim Hausbeck, grandson of the founder of the Hausbeck Pickle Co. in Saginaw, MI, qualified for a CIP letter of credit to build, expand and equip a warehouse to store pickle and pepper products before shipping them to customers.

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**Economic Development Eligibility**

- ▶ Targeted income levels:
  - Rural areas – incomes are at or below 115% of the median income for the area
  - Urban areas – incomes are at or below 100% of the median income for the area

Community Investment Programs 55

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**CIP Eligibility, continued**

- ▶ SBA Concern/SBA Loan
- ▶ Located in a census tract <115% AMI (rural) or <100% AMI (urban)
- ▶ Geographically defined beneficiaries
- ▶ >51% of individual beneficiaries <115% AMI (rural) or < 100% AMI (urban)
- ▶ Job creation

Community Investment Programs 56

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**Use CIP for Nonresidential Loans**

- ▶ Commercial initiatives, such as shopping centers, office buildings, hotels, and retail stores
- ▶ Industrial and manufacturing initiatives, such as factories, bakeries, warehouses, and assembly plants
- ▶ Public-facility initiatives, such as buildings and vehicles for police and fire departments
- ▶ Social-service initiatives, such as office space for nonprofits, program facilities, day-care centers, hospitals, and nursing home
- ▶ Infrastructure projects, such as roads, sidewalks, utilities, and sewers

Community Investment Programs 57

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**Mixed Use Eligibility**

- ▶ CIP financing can be used to support a wide range of mixed use initiatives (target property contains both residential & nonresidential space) including:
  - Small businesses
  - Social service
  - Public-facility initiatives

Community Investment Programs 58

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Citizens Bank in Flint, MI, obtained a CIP loan to help build a medical office building in Saginaw. The building was constructed in the Brownfield Redevelopment Authority and tax-free Renaissance Zone.

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**Find out more about CIP**

To find out more about the bridge loan and other financing available through CIP, please contact Shannon Fountain at [stountain@fhlbi.com](mailto:stountain@fhlbi.com) or call 1.800.688.6697

Community Investment Programs 60

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**Standby Letters of Credit**



- ▶ Issued on behalf of FHLBI member institutions
- ▶ Cost-effective way to improve credit rating of transaction and/or to provide credit enhancement
- ▶ For more information contact **Brian McCoy, Advances Manager** at 800.442.2568 or [bmccoy@fhlbi.com](mailto:bmccoy@fhlbi.com) or your Marketing Representative

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**Homeownership Initiatives (HOP, NSA, NIP and DRP)**



- ▶ Funding is non-competitive and easy to administer
- ▶ Great for programs where subsidy need is ≤\$10,000 per unit
- ▶ Leverage federal Neighborhood Stabilization Program (NSP) funding in response to foreclosures in district
- ▶ 70% of funds released in March 2011, balance in August 2011

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**Homeownership Initiatives Similarities**



- ▶ Income limit of 80% or less of AMI
- ▶ FHLBI provides \$3 per \$1 of matching funds
- ▶ If counseling is required, it must be face-to-face with state or HUD-certified counselor
- ▶ Member cap of \$300,000 per program
- ▶ 5 year retention required, prorated recapture over the 5 years
- ▶ Funding on a first come – first served basis
- ▶ Available balance posted on FHLBI Website and updated regularly

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**Who uses Homeownership Initiatives?**



- ▶ Member institutions - often used for their own mortgage business
- ▶ Members often partner with non-profit or government sponsors
  - Non-profit partners who provide required homeownership counseling or manage owner-occupied rehabilitation programs
  - Municipalities with NSP/HOME/CDBG or other local funds
- ▶ Member role
  - Verify accuracy of disbursement requests
  - Proper file documentation
  - Assure retention agreements are recorded

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**Homeownership Initiatives Participation Requirements**



- ▶ Member must complete webinar training or participate in the training offered today after the break – be sure to sign the attendance roster at the end of the training!
- ▶ Training is available and recommended for *anyone* planning to use Homeownership Initiative funding
- ▶ Member institution must complete and submit Master Agreement and Registration Form (covers HOP, NIP, NSA and DRP)
- ▶ Registered Members may have contact information posted on FHLBI website

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**Homeownership Opportunities Program (HOP)**

- ▶ Provides up to \$7,500 in down payment and/or closing cost assistance for low-to-moderate income first-time homebuyers, if the first mortgage loan is originated by FHLBI member
- ▶ \$5,000 limit if first mortgage provided by a non-member or there is no first mortgage loan
- ▶ Up to a 3-to-1 match allowed
- ▶ Up to \$150 may be used for required homeowner counseling
- ▶ First-time homebuyer generally means not having owned a home in past three years, but other exceptions apply

Community Investment Programs 67

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**HOP Requirements**

- ▶ \$500 cash contribution from homebuyer
- ▶ Homebuyer counseling
- ▶ No more than \$250 cash back to buyer at closing
- ▶ 5-year retention by owner

Community Investment Programs 68

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**Use HOP to Win First-time Homebuyers**

- ▶ Used by members to compete for highly sought-after new customers. Members have marketed HOP as an incentive for customer to use member's mortgage products
- ▶ Proven results with members
  - During 2010, FHLBI provided over \$2.6M to members' first-time homebuyer lending activities

Community Investment Programs 69

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**Neighborhood Stabilization Assistance (NSA)**



- ▶ Provides up to \$10,000 for down payment and/or closing costs for low-to-moderate income homebuyers
  - First time homebuyer requirement waived
- ▶ Match of 3-to-1 must be NSP funds
- ▶ 5-year retention by owner
- ▶ FHLBI does not stipulate how NSP funding is used; may be for such purposes as acquisition, rehabilitation, demolition or redevelopment
- ▶ Counseling and cash requirements as with HOP

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**Neighborhood Impact Program (NIP)**



- ▶ Provides up to \$10,000 in funds for income-qualified, owner-occupied rehabilitation, if household is receiving 3:1 matching funds from a government entity, forgivable or deferred loan from an eligible state or local home improvement program, member home equity loan *or* if the member is the first lien holder of the mortgaged property
- ▶ \$7,500 if no matching funds from above listed eligible resources

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**Neighborhood Impact Program (NIP) *continued***



- ▶ Minimum of 6 months owner-occupancy required
- ▶ Counseling is encouraged, but not required and cannot be funded by FHLBI
- ▶ 5-year retention by owner
- ▶ No cash contribution by homeowner required

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**NIP Eligible Improvements**



- ▶ Eligible Improvements: All improvements must be from FHLBI's list of eligible improvements (new for 2011):
  - i.e. energy conservation improvements, accessibility-related issues, HVAC reconditioning/replacement, well/septic replacement, connection to public water/sewer utilities
- ▶ Ineligible improvements:
  - Room additions, basement refinishing, detached garages and appliances are generally not acceptable

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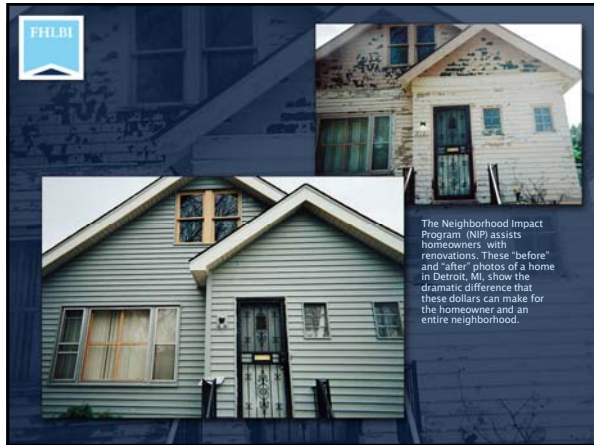
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**Use NIP to help your customers maintain their homes**



- ▶ Members use NIP to help their customers fix roofs and furnaces and provide other essential repairs
- ▶ During 2010, FHLBI provided nearly \$2.8M to members' for homeowner rehabilitation
- ▶ Demand for existing homeowner assistance exceeded homebuyer assistance for the first time in 2010...reflecting the needs of our district.

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**Disaster Relief Program (DRP)**

- ▶ Provides assistance specifically designed for local housing needs resulting from state or federally declared disaster
- ▶ Authorized by FHLBI Board in situations where Homeownership Initiative parameters are not sufficient to respond to specific needs of particular disaster
- ▶ Requirements specific to each disaster

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**Homeownership Initiatives**

To find out more about the Homeownership Initiatives Programs, please contact Shannon Fountain at [sfountain@fhlbi.com](mailto:sfountain@fhlbi.com) or Ronna Edwards at [redwards@fhlbi.com](mailto:redwards@fhlbi.com) or call 1.800.688.6697.

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