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FHLBANK INDIANAPOLIS

VALUE OF MPP

NEW CAPITAL STOCK OPT-IN



Presenters:

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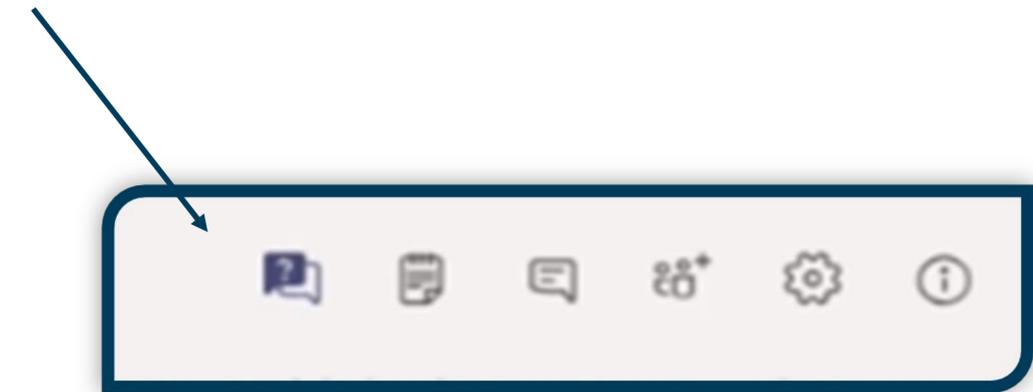


Matt Fix, Account Manager
mfix@fhlbi.com



Q&A

- Submit questions in Q&A box
- Feel free to submit questions throughout the presentation
- Questions will be answered at the end



What We Will Cover Today:

- Value of Advantage MPP
- New “Opt-In” Opportunity
- Tool Available to Measure Potential Value
- How to “Opt-In”

Value of Advantage MPP

- Mortgage Purchase Program for prime traditional mortgages
 - Fixed rate, fixed term 5-30 years
 - Maximum LTV 95%/CLTV of 90%
 - Minimum FICO of 680
 - Maximum debt ratio is 43%
 - Servicing retained or released (via CMC Funding)
 - Also acquire FHA insured loans from members capable of servicing them
- Opportunity for future cash flow from Lender Risk Account (LRA)
- Pricing, selling, and delivery available through secure internet connection
- Local decision making and problem resolution

Value of Advantage MPP

- MPP pricing has ONE loan level price adjustment - .25Bps for a cash out refinance 75% to 80% LTV
- No additional fees/adverse market fees
- COVID-19 reduced appraisal guidance including appraisal waivers with applications through 11/30/2020
- Full documentation including income for a 24-month period for manual underwriting. Per the automated underwriting system (DU/LPA).
- Working towards an eNote platform with a target 2nd quarter 2021

New Capital Plan : Key Changes and Benefits

OFFERINGS	A STOCK <i>Activity stock</i>	B-1 STOCK <i>Non-activity stock (including membership and excess stock)</i>	B-2 STOCK <i>Activity stock</i>
REDEMPTION	 6-month	 5-year	 5-year
KEY FEATURES + BENEFITS	<p>When available, this new stock class will give members additional stock redemption flexibility.</p>	<p>Membership requirement based on total assets. This simplified formula eliminates time-consuming paperwork on mortgage asset calculation.</p> <ul style="list-style-type: none"> • Converts automatically to B-2 Activity stock to support product usage. • All B stock not required for activity. 	<ul style="list-style-type: none"> • B-2 stock reflects the stock members are required to own to support an FHLBank advance, line of credit, letter of credit, or MPP sales (for those MPP sellers that opt-in). • Converts automatically to B-1 stock when not required. • Under the new plan, B-2 stock has the potential to pay a higher dividend rate than B-1 or A stock.

Key Changes and Benefits

1. Simplified membership stock requirement.
2. Members will have more options for fulfilling activity stock requirements.
3. Activity is rewarded.

Implementation Requirements

Membership Stock Requirements (MSR) Effective September 26, 2020

	Range (%)	Requirement (%)	Min/Max Requirements
Total Assets	0.01-0.50%	0.10%	\$7,500/\$5,000,000

Activity-Based Stock Requirements (ABSR) Effective September 26, 2020

	Range (%)	Class B Requirement (%)	Min/Max Requirements
Advances	1.0-6.0%	4.50%	n/a
Lines of Credit	1.0-6.0%	4.50%	n/a
Letters of Credit	0.10-6.0%	0.10%	n/a
Derivative Contracts	1.0-6.0%	4.50%	n/a
MPP (Mandatory)	0.0-6.0%	0.00%	n/a
MPP (Opt-In)	0.0-6.0%	4.50%	n/a
CIP Advances	1.0-6.0%	4.50%	n/a
AHP Grants and Setasides	n/a	n/a	n/a

What does it mean to “Opt-In”?

- Elect to have loans under an MCC supported by B-2 activity stock
- If a member currently has B-1 non-activity stock, the activity required amount will automatically convert to B-2 activity stock
- 4.50% activity stock requirement will be calculated based on loan balance
 - Adjusted at time of loan settlement
 - Adjusted at time of monthly remittance



Advantage MPP: Estimated Value of Stock "Opt-In"

This tool will estimate the added value of selling to FHLBank Indianapolis MPP Advantage that is created from the potential stock dividends when a seller opts into purchasing FHLBI stock.

The value of the dividend, should the member choose to opt into purchasing FHLBI stock, is calculated based on the dividend rate assumed for new activity stock purchased and the incremental dividend pickup when non-activity stock is converted to activity stock.

An assumed discount rate to calculate present value is required. All rates used for inputs are annualized rates.

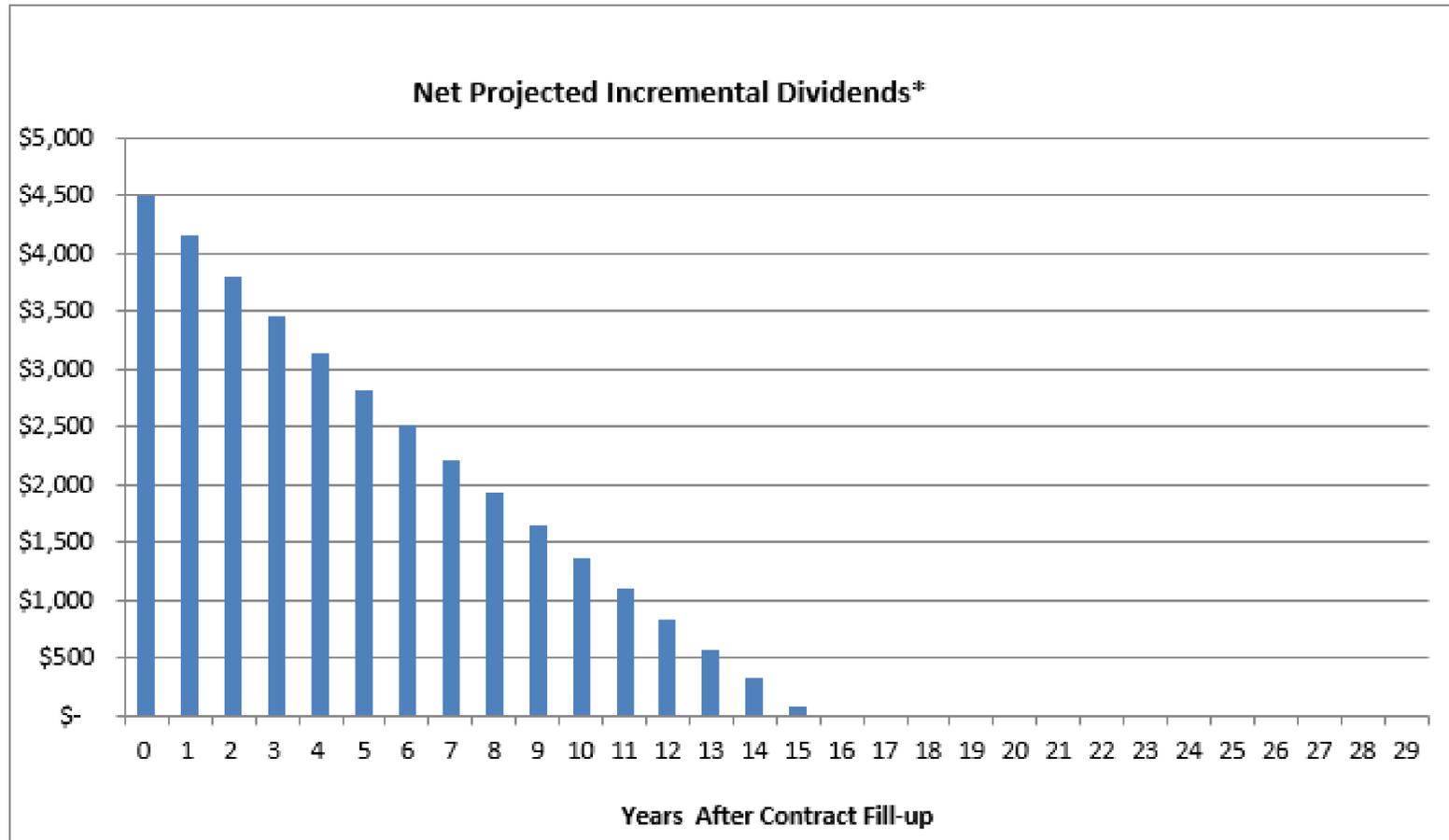
Inputs					
Master Commitment Contract size	\$ 5,000,000	Opt-In to Purchase FHLBI Stock? (Y/N)	Y	Discount Rate/Opportunity Cost	1.00%
Average Term (yrs.)	30	MPP Stock Requirement	4.50%	Assumed B1 (Non-activity) Stock Dividend Rate	1.50%
Average Rate	3.25%	Stock Required for MCC	\$ 225,000	Assumed B2 (Activity) Stock Dividend Rate	3.50%
Estimated CPR	6.00%	Current B1 Stock	\$1,000,000	Incremental Dividend Pickup	2.00%
		Additional Stock Purchase Requirement	\$ -		

Potential Dividend Cash Flow (see assumptions below)

Year	Projected MCC Balance	New Stock (B2) Balance	New Stock (B1) Balance	Current B1 Reclassified to B2	Estimated B2 Dividend on New Stock	Estimated B1 Dividend on New Stock	Dividend Pickup on Current B1 to B2	Opp Cost of Purchasing New Stock	Net Projected Incremental Dividends
0	\$ 5,000,000	\$ -	\$ -	\$ 225,000					
1	\$ 4,606,362	\$ -	\$ -	\$ 207,300	\$ -	\$ -	\$ 4,500	\$ -	\$ 4,500
2	\$ 4,223,414	\$ -	\$ -	\$ 190,100	\$ -	\$ -	\$ 4,146	\$ -	\$ 4,146
3	\$ 3,850,866	\$ -	\$ -	\$ 173,300	\$ -	\$ -	\$ 3,802	\$ -	\$ 3,802
4	\$ 3,488,434	\$ -	\$ -	\$ 157,000	\$ -	\$ -	\$ 3,466	\$ -	\$ 3,466
5	\$ 3,135,844	\$ -	\$ -	\$ 141,100	\$ -	\$ -	\$ 3,140	\$ -	\$ 3,140
6	\$ 2,792,830	\$ -	\$ -	\$ 125,700	\$ -	\$ -	\$ 2,822	\$ -	\$ 2,822
7	\$ 2,459,130	\$ -	\$ -	\$ 110,700	\$ -	\$ -	\$ 2,514	\$ -	\$ 2,514
8	\$ 2,134,492	\$ -	\$ -	\$ 96,100	\$ -	\$ -	\$ 2,214	\$ -	\$ 2,214
9	\$ 1,818,670	\$ -	\$ -	\$ 81,800	\$ -	\$ -	\$ 1,922	\$ -	\$ 1,922
10	\$ 1,511,425	\$ -	\$ -	\$ 68,000	\$ -	\$ -	\$ 1,636	\$ -	\$ 1,636
11	\$ 1,212,523	\$ -	\$ -	\$ 54,600	\$ -	\$ -	\$ 1,360	\$ -	\$ 1,360
12	\$ 921,738	\$ -	\$ -	\$ 41,500	\$ -	\$ -	\$ 1,092	\$ -	\$ 1,092
13	\$ 638,850	\$ -	\$ -	\$ 28,700	\$ -	\$ -	\$ 830	\$ -	\$ 830
14	\$ 363,644	\$ -	\$ -	\$ 16,400	\$ -	\$ -	\$ 574	\$ -	\$ 574
15	\$ 95,911	\$ -	\$ -	\$ 4,300	\$ -	\$ -	\$ 328	\$ -	\$ 328
16	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86	\$ -	\$ 86
17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	*	*	*	*	*	*	*	*	*

NON-ACTIVITY(B-1) STOCK
AUTOMATICALLY RECLASSIFIED
AS ACTIVITY STOCK (B-2)
BASED ON 4.5% OF BALANCE

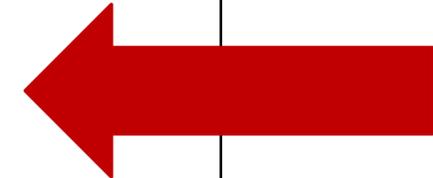
PV \$ 32,587 PV as % of MCC 0.65%



Estimated Value of MPP Advantage

Price	102.50
Value of LRA*	0.50
Value of FHLB Dividend	0.65
Total Est. Value of MPP Advantage	103.65

* Projected value of LRA at time of MCC based on projected losses. See MPP Advantage LRA Valuation tool to calculate.





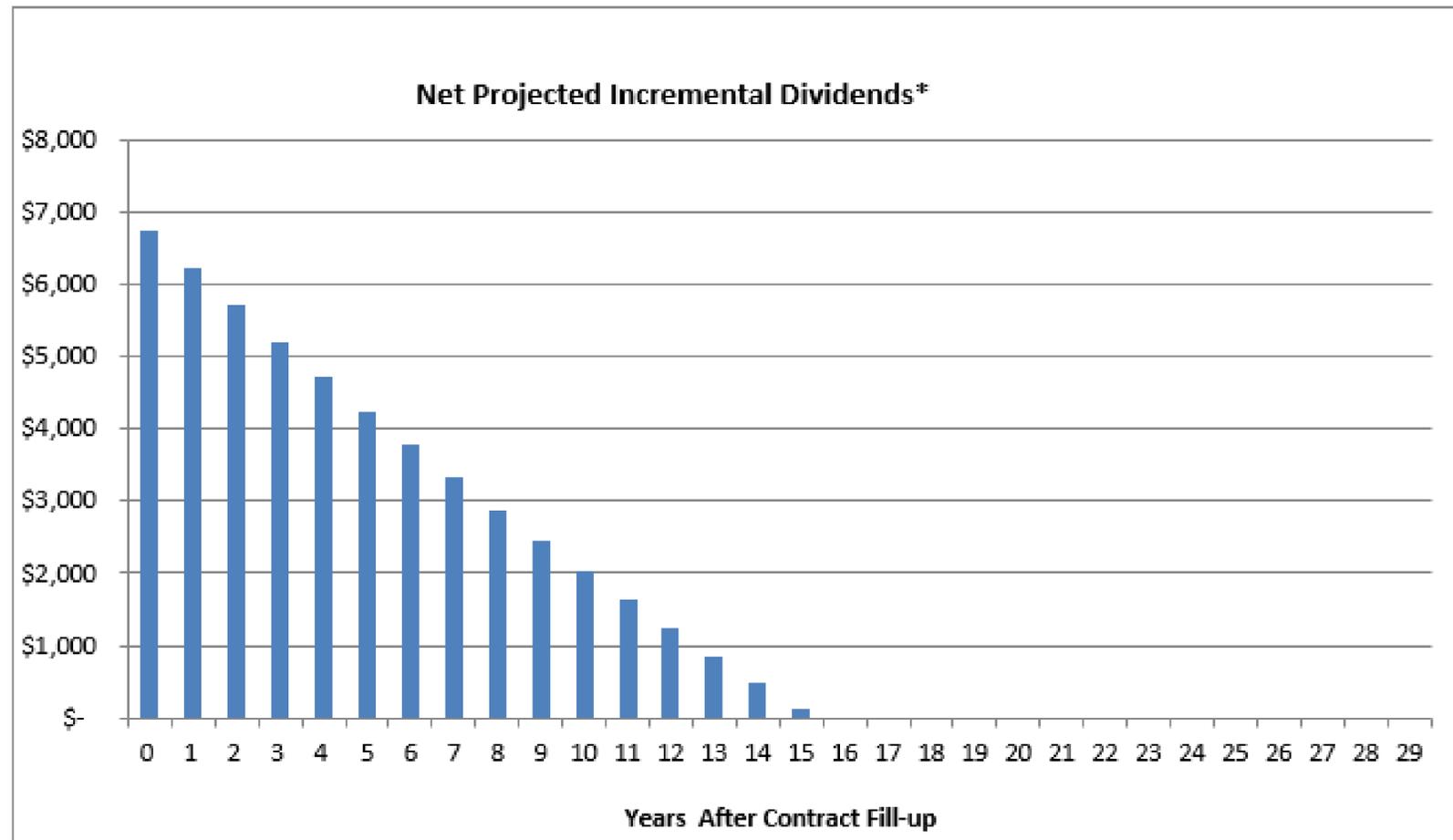
Advantage MPP: Estimated Value of Stock "Opt-In"

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The value of the dividend, should the member choose to opt into purchasing FHLBI stock, is calculated based on the dividend rate assumed for new activity stock purchased and the incremental dividend pickup when non-activity stock is converted to activity stock.

An assumed discount rate to calculate present value is required. All rates used for inputs are annualized rates.

Inputs					
Master Commitment Contract size	\$ 5,000,000	Opt-In to Purchase FHLBI Stock? (Y/N)	Y	Discount Rate/Opportunity Cost	1.00%
Average Term (yrs.)	30	MPP Stock Requirement	4.50%	Assumed B1 (Non-activity) Stock Dividend Rate	1.50%
Average Rate	3.25%	Stock Required for MCC	\$ 225,000	Assumed B2 (Activity) Stock Dividend Rate	4.50%
Estimated CPR	6.00%	Current B1 Stock	\$1,000,000	Incremental Dividend Pickup	3.00%
		Additional Stock Purchase Requirement	\$ -		



Estimated Value of MPP Advantage

Price	102.50
Value of LRA*	0.50
Value of FHLB Dividend	0.98
Total Est. Value of MPP Advantage	103.98

* Projected value of LRA at time of MCC based on projected losses. See MPP Advantage LRA Valuation tool to calculate.





Advantage MPP: Estimated Value of Stock "Opt-In"

This tool will estimate the added value of selling to FHLBank Indianapolis MPP Advantage that is created from the potential stock dividends when a seller opts into purchasing FHLBI stock.

The value of the dividend, should the member choose to opt into purchasing FHLBI stock, is calculated based on the dividend rate assumed for new activity stock purchased and the incremental dividend pickup when non-activity stock is converted to activity stock.

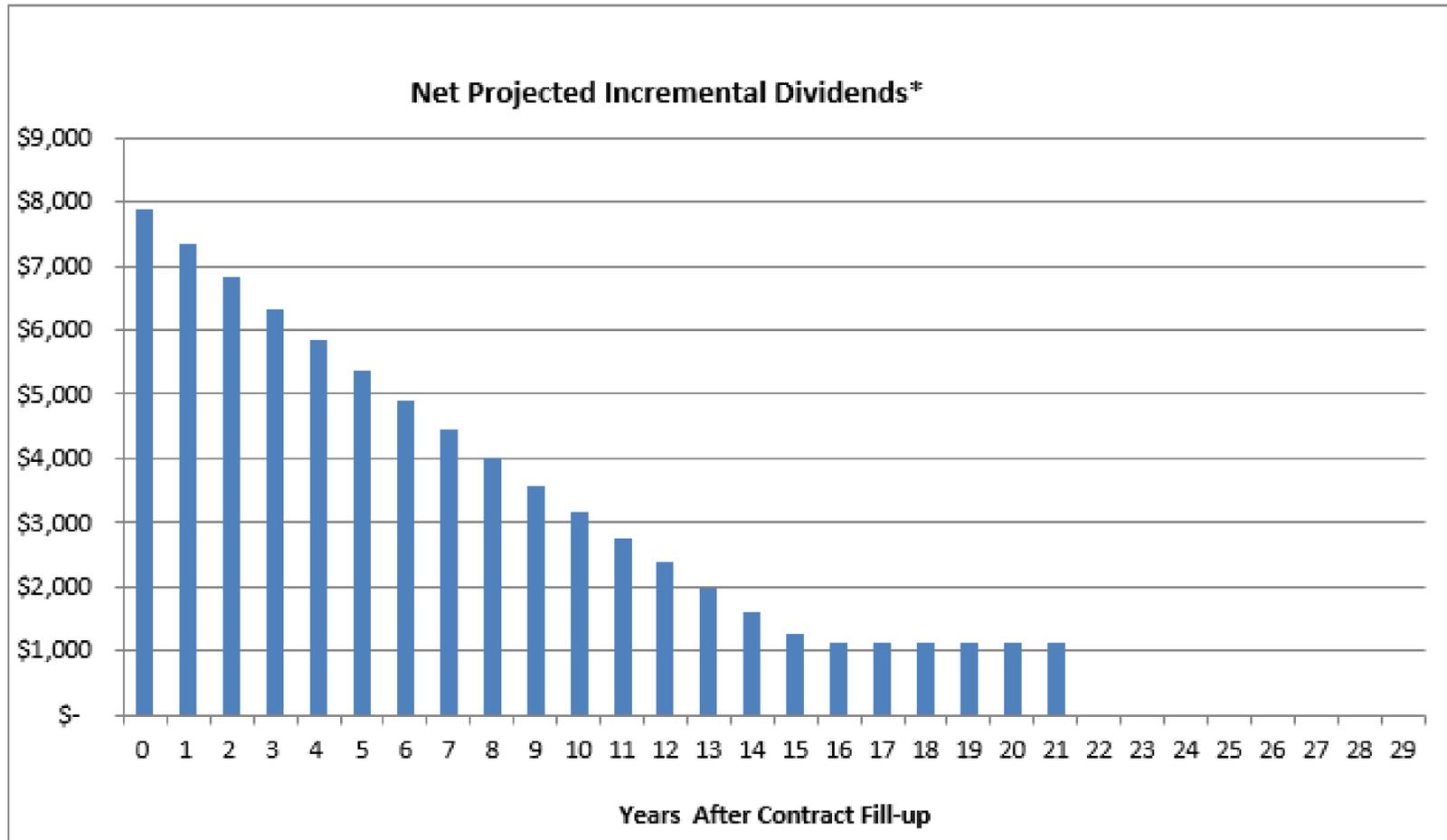
An assumed discount rate to calculate present value is required. All rates used for inputs are annualized rates.

Inputs					
Master Commitment Contract size	\$ 5,000,000	Opt-In to Purchase FHLBI Stock? (Y/N)	Y	Discount Rate/Opportunity Cost	1.00%
Average Term (yrs.)	30	MPP Stock Requirement	4.50%	Assumed B1 (Non-activity) Stock Dividend Rate	1.50%
Average Rate	3.25%	Stock Required for MCC	\$ 225,000	Assumed B2 (Activity) Stock Dividend Rate	4.50%
Estimated CPR	6.00%	Current B1 Stock	\$ -	Incremental Dividend Pickup	3.00%
		Additional Stock Purchase Requirement	\$ 225,000		

Potential Dividend Cash Flow (see assumptions below)

Year	Projected MCC Balance	New Stock (B2) Balance	New Stock (B1) Balance	Current B1 Reclassified to B2	Estimated B2 Dividend on New Stock	Estimated B1 Dividend on New Stock	Dividend Pickup on Current B1 to B2	Opp Cost of Purchasing New Stock	Net Projected Incremental Dividends
0	\$ 5,000,000	\$ 225,000	\$ -	\$ -					
1	\$ 4,606,362	\$ 207,300	\$ 17,700	\$ -	\$ 10,125	\$ -	\$ -	\$ (2,250)	\$ 7,875
2	\$ 4,223,474	\$ 190,100	\$ 34,900	\$ -	\$ 9,329	\$ 266	\$ -	\$ (2,250)	\$ 7,344
3	\$ 3,850,866	\$ 173,300	\$ 51,700	\$ -	\$ 8,555	\$ 524	\$ -	\$ (2,250)	\$ 6,828
4	\$ 3,488,434	\$ 157,000	\$ 68,000	\$ -	\$ 7,799	\$ 776	\$ -	\$ (2,250)	\$ 6,324
5	\$ 3,135,844	\$ 141,100	\$ 83,900	\$ -	\$ 7,065	\$ 1,020	\$ -	\$ (2,250)	\$ 5,835
6	\$ 2,792,830	\$ 125,700	\$ 99,300	\$ -	\$ 6,350	\$ 1,259	\$ -	\$ (2,250)	\$ 5,358
7	\$ 2,459,130	\$ 110,700	\$ 114,300	\$ -	\$ 5,657	\$ 1,490	\$ -	\$ (2,250)	\$ 4,896
8	\$ 2,134,492	\$ 96,100	\$ 128,900	\$ -	\$ 4,982	\$ 1,715	\$ -	\$ (2,250)	\$ 4,446
9	\$ 1,818,670	\$ 81,800	\$ 143,200	\$ -	\$ 4,325	\$ 1,934	\$ -	\$ (2,250)	\$ 4,008
10	\$ 1,511,425	\$ 68,000	\$ 157,000	\$ -	\$ 3,681	\$ 2,148	\$ -	\$ (2,250)	\$ 3,579
11	\$ 1,212,523	\$ 54,600	\$ 170,400	\$ -	\$ 3,060	\$ 2,355	\$ -	\$ (2,250)	\$ 3,165
12	\$ 921,738	\$ 41,500	\$ 183,500	\$ -	\$ 2,457	\$ 2,556	\$ -	\$ (2,250)	\$ 2,763
13	\$ 638,850	\$ 28,700	\$ 196,300	\$ -	\$ 1,868	\$ 2,753	\$ -	\$ (2,250)	\$ 2,370
14	\$ 363,644	\$ 16,400	\$ 208,600	\$ -	\$ 1,292	\$ 2,945	\$ -	\$ (2,250)	\$ 1,986
15	\$ 95,911	\$ 4,300	\$ 220,700	\$ -	\$ 738	\$ 3,129	\$ -	\$ (2,250)	\$ 1,617
16	\$ -	\$ -	\$ 225,000	\$ -	\$ 194	\$ 3,311	\$ -	\$ (2,250)	\$ 1,254
17	\$ -	\$ -	\$ 225,000	\$ -	\$ -	\$ 3,375	\$ -	\$ (2,250)	\$ 1,125
18	\$ -	\$ -	\$ 225,000	\$ -	\$ -	\$ 3,375	\$ -	\$ (2,250)	\$ 1,125
19	\$ -	\$ -	\$ 225,000	\$ -	\$ -	\$ 3,375	\$ -	\$ (2,250)	\$ 1,125
20	\$ -	\$ -	\$ 225,000	\$ -	\$ -	\$ 3,375	\$ -	\$ (2,250)	\$ 1,125
21	\$ -	\$ -	\$ 225,000	\$ -	\$ -	\$ 3,375	\$ -	\$ (2,250)	\$ 1,125
22	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,375	\$ -	\$ (2,250)	\$ 1,125
23	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

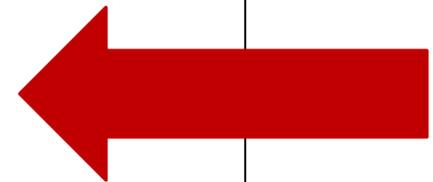
STOCK CLASSIFIED AS ACTIVITY (B2) VS. NON-ACTIVITY (B-1) BASED ON BALANCE



Estimated Value of MPP Advantage

Price	102.50
Value of LRA*	0.50
Value of FHLB Dividend	1.42
Total Est. Value of MPP Advantage	104.42

* Projected value of LRA at time of MCC based on projected losses. See MPP Advantage LRA Valuation tool to calculate.



How can I determine the value of “Opting-In”?

- Contact your FHLBank Indianapolis Account Manager or Keith Pempek, MPP Account Manager

How do I “Opt-In”?

- Members will have the ability to opt-in at the Master Commitment Contract (MCC) level
 - Can opt-out at any time
 - New election form must be submitted with for each new MCC
 - Not retroactive - Opt-in not available to currently active MDCs
- Election to opt-in under a MCC by submitting form available on www.fhlbi.com Capital Plan webpage
 - [MPP Voluntary Activity-Based Stock Requirement Opt-In/Opt-Out Form](#)



MORTGAGE PURCHASE PROGRAM ("MPP")

VOLUNTARY MORTGAGE PURCHASE PROGRAM CAPITAL STOCK ACTIVITY-BASED REQUIREMENT

The undersigned Participating Financial Institution ("Seller") hereby confirms its desires related to the voluntary activity-based stock requirement (MPP "Opt-In").

"Opt-In" to voluntary capital stock activity-based requirement with the settlement of each Mortgage Purchase Program Mandatory Delivery Contract (MDC) under Master Commitment Contract (MCC) Number _____.

"Opt-Out" of voluntary capital stock activity-based requirement with the settlement of each Mortgage Purchase Program Mandatory Delivery Contract (MDC) under Master Commitment Contract (MCC) Number _____.

Seller is required to return this form in order to convey its desired effectiveness of the voluntary activity-based stock requirement related to MPP settlements.

Pursuant to Section V.A.8 of the FHLBank Indianapolis Capital Plan, the effectiveness of the selected option shall be for all MDCs created on or after the date of this document submission under the designated MCC and shall remain in effect until another option is selected and submitted at which point the newly selected option will apply to new MDCs.

Member represents that the undersigned is fully authorized to sign this application based upon the FHLBank Indianapolis Mortgage Purchase Program Corporate Resolution.

Once executed, please image and submit to FHLBank Indianapolis at mpp@fhlbi.com.

Date: _____

(Member Name)

(Authorized Signature of Member)
Printed Name: _____
Title: _____



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QUESTIONS?



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Disclosure

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