



Affordable Housing & Community Investment Programs

2016 Community Investment Workshops



Today's Agenda



- ▶ 9:00- 9:15 Welcome
- ▶ 9:15-10:00 Overview of AHP and CIP
- ▶ 10:00-10:45 Homeownership Initiatives
- ▶ 10:45-11:00 Networking Break
- ▶ 11:00-12:00 Member and Community
Sponsor Presentations
- ▶ 12:00 Lunch & Networking Break
- ▶ 1:00 Next Steps and Adjourn





Affordable Housing & Community Investment Programs

Welcome – Business Update

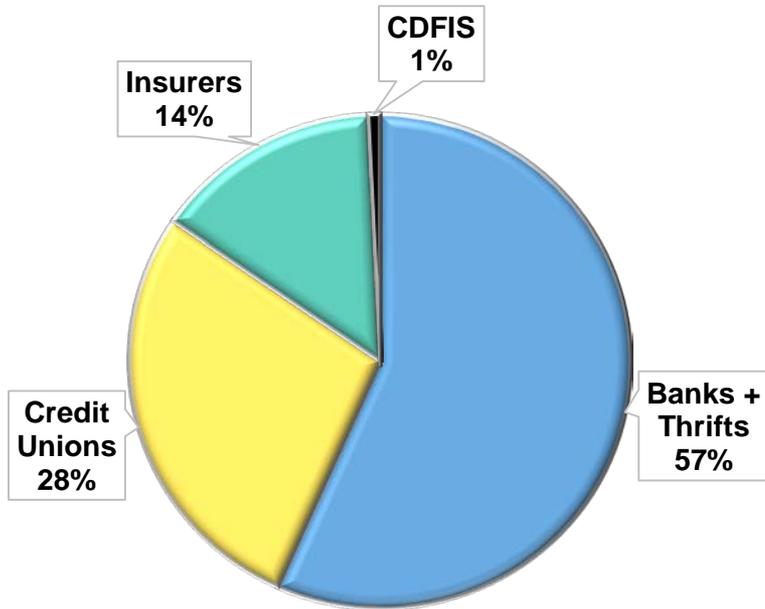


- ▶ **Who is FHLBI?**
- ▶ **FHLBI Business Update**
- ▶ **Affordable Housing and Community Investment programming**
- ▶ **2015 AHP Allocation**



Who is FHLBI?

(As of 9/30/15)



397 FHLBI Members

▶ Regional wholesale bank

- Serving member financial institutions throughout Indiana and Michigan since 1932.

▶ Our Mission

- Provide a reliable source of liquidity to members to support housing finance, asset-liability management, and community lending.
- We also provide grants and low-cost loans to our members that help support affordable housing and economic development initiatives.



Financials – Business Line Performance

(12/31/15 vs. 12/31/14)



By growing its business, FHLBI grows its affordable housing commitment – we allocated \$13 million in 2015!

▶ **Advances Up 29% to \$27B**

- 59% growth in depository advances

▶ **Mortgage Loans**

- Mortgage purchases totaled \$2.7B, up 70% compared to the same period in 2014

▶ **Mission:**

- **Allocate 10% of earnings to Affordable Housing Programming (\$13.5 mil. available for 2016)**
- **Net income (after AHP allocation) was \$121 million (up 4%)**



FHLBI Community Investment Programs – 2016 Allocations

65% \$8.8 mil.

Affordable Housing Program (AHP)

Competitive grants awarded to members to support the creation of rental and homeownership opportunities for low- and moderate-income households.

35% \$4.7 mil.

Homeownership Initiatives (HOP, NIP, AMP & DRP)

First-come, first-served grant funding programs for members that match each step in the lifecycle of homeownership, from managing down payment and closing costs, to owner-occupied rehabilitation, to accessibility modification assistance for seniors and people with disabilities, to disaster relief.

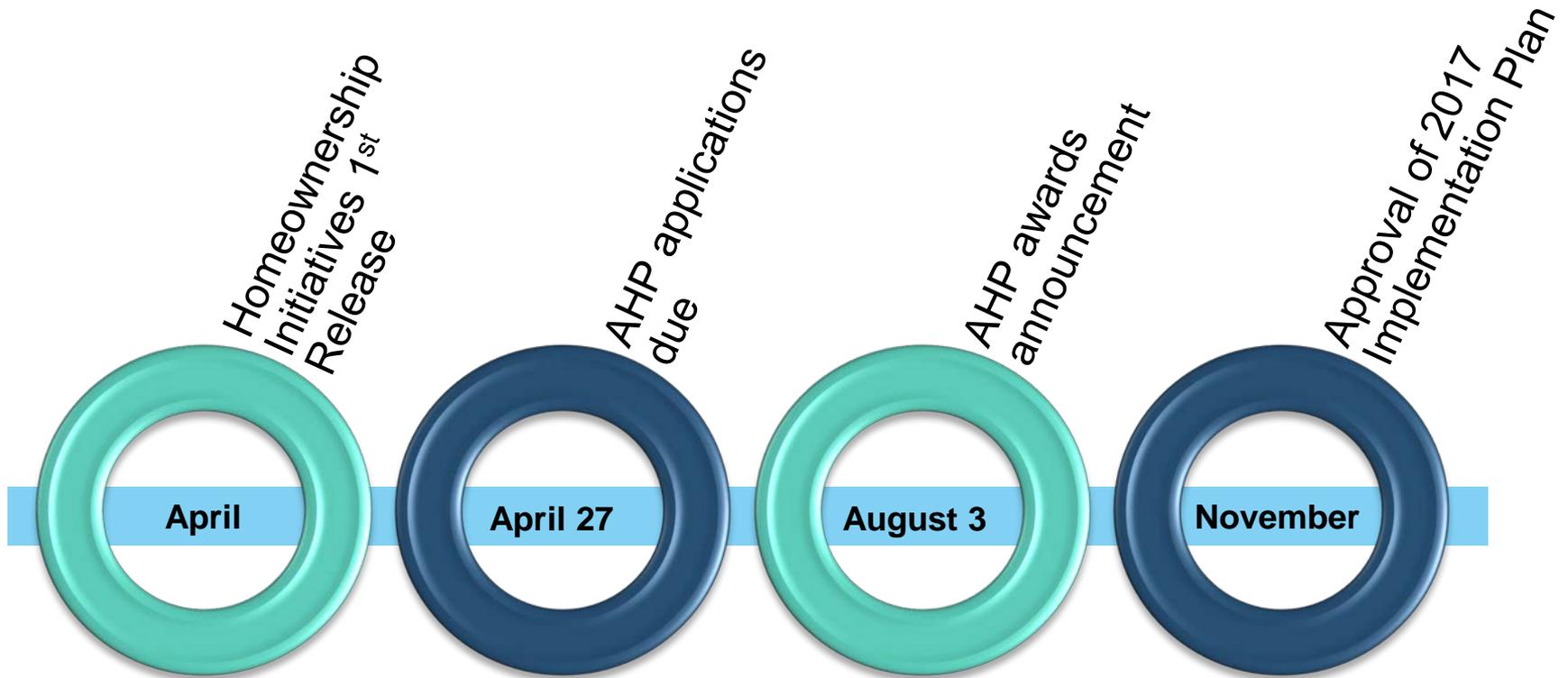
\$100-150 mil.

Community Investment Program (CIP)

Discounted advances and letters of credit available to members on an ongoing basis to support targeted housing and economic development.



Key Dates for 2016



Guiding Principles



- ▶ Community Investment reflects the core mission of FHLBI...helping families throughout Indiana and Michigan afford housing by partnering with local financial institutions

- ▶ What does success look like?
 - Disbursing AHP funds to high quality, well-defined, mission-focused requests and projects.

 - Partnering with interested members and project sponsors to make sure they fully understand the project and have available our full spectrum of resources to develop the best possible business case for FHLBI community investment funding.



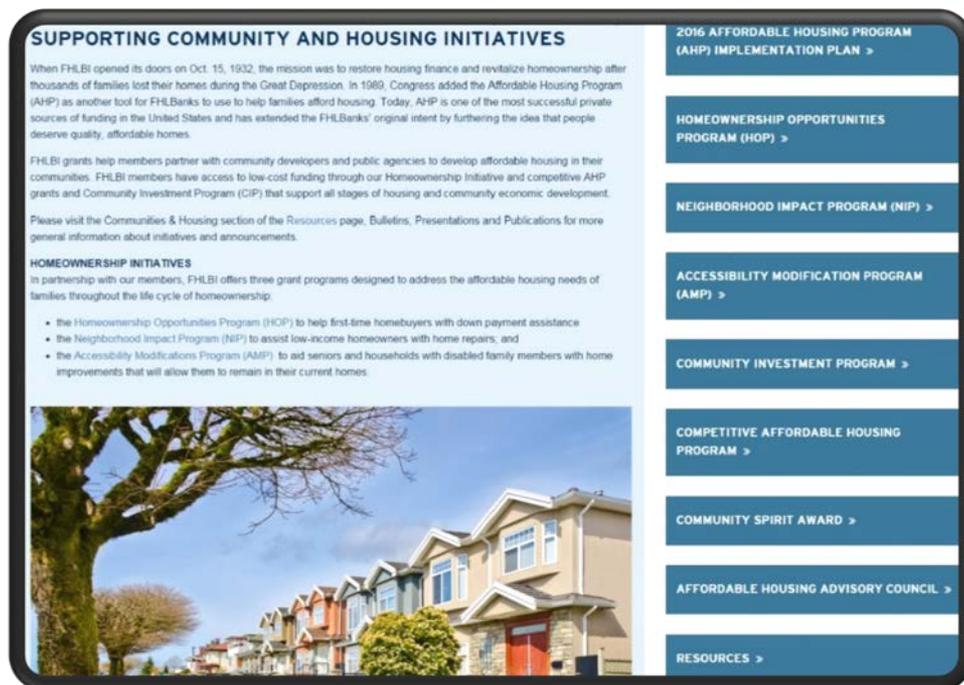


Affordable Housing & Community Investment Programs

CID Update



New fhlbi.com Look, Same Access to Key Resources



- ▶ New FHLBI website launched in December
- ▶ Continuous improvement to meet needs of visitors
- ▶ Redesigned “Communities & Housing Programs” homepage to provide visitors with quick access to various program offerings
- ▶ Community Spirit Award winners prominently featured.

FHLBI MEMBER PROGRAM FORMS AND RESOURCES

- Remaining Funds and Request Review Status
- Find Area Median Income (AMI) Limit

HOW TO PARTICIPATE AND REGISTER

- 2016 Homeownership initiatives Master Agreement
- 2016 Homeownership Initiatives Registration Certification
- Affordable Housing & Community Investment Training and Events

PROGRAM INFORMATION

- Overview of HOP
- HOP Guidelines
- Affordable Housing Program Implementation Plan
- Income Calculation Guidelines
- Counseling Resource Guide
- Find Area Median Income Limit Calculator with HUD Income L

REQUIRED FORMS AND DOCUMENTS

- 2015 Income Calculation Worksheet
- Verification of Employment (FNMA)
- Zero Income Affidavit
- Real Estate Retention Agreement
- Real Estate Retention Agreement 2.5" Margin
- Return Funds Worksheet

OTHER TOOLS

- First Time Homebuyers Affidavit
- Definitions and Acronyms
- Foreclosure Guidance

- ▶ Each program page provides links to required resources for program participation
- ▶ Overview page provides new users more detailed information
- ▶ Each page also highlights other required forms and documents



AHP Overview



Affordable Housing Program (AHP)

Competitive grants awarded to members to support the creation of rental and homeownership opportunities for low- and moderate-income households.



AHP Competitive Grant Program – WIFM?

FHLBI



Member Institution

- Desire to invest in community
- Foundations, philanthropic goals
- Community Reinvestment Act (CRA)
- Builds loyalty with customers or members
- Aids in employee recruitment or retention



Sponsor/Owner/Developer

- Desire to invest in community
- Creates sustainable community housing assets
- Fulfills need or mission
- Non-profit or for-profit developer with housing as a core mission
- Leverages AHP \$\$ for larger projects



FHLBI

- Supports Michigan and Indiana housing mission
- Provides service to our members
- Develops new/enhances existing member relationships
- Leverages AHP \$\$ for larger projects
- Supports long- and short-term job creation

The 2016 Implementation Plan reflects the efforts of community leaders who come together to fulfill a common objective



Historic Greensburg Square is a unique development addressing preservation of 4 historic buildings through the rehabilitation of blighted vacant buildings to create a vibrant exciting center of activity in the heart of downtown Greensburg. Forty housing units with universal design features will support an aging-in-place initiative for seniors age 62 and older.

Affordable Housing Program (AHP) – the basics



AHP – competitive grants awarded to members to support the creation of rental and homeownership opportunities for low- and moderate-income households.

- ▶ Provides direct grants for the acquisition, rehabilitation or construction of affordable housing
- ▶ Only FHLBI members may apply for AHP grant funding
- ▶ Project sponsors are housing developers (either for- or non-profit) that partner with FHLBI member to complete the project



**New to FHLBI's Community Investment team or AHP?
Not sure if your project is a fit?
We're here to talk you through the process.**

- ▶ Senior or family rental projects*
- ▶ Single family homes for purchase, lease, or rental
- ▶ Emergency shelters
- ▶ Transitional housing
- ▶ Permanent supportive housing
- ▶ Habitat for Humanity projects
- ▶ Group homes and congregate living plans

*Excludes assisted living, hospice or nursing homes



“Brick & Mortar” Expenditures

- ✓ Homebuyer down payments/closing costs
- ✓ Owner-occupied rehabilitation
- ✓ Land and building acquisition
- ✓ Construction and rehabilitation costs
- ✓ Some “soft costs”, i.e., architectural, engineering, survey, developer fees (Limited to 20% of AHP award)



Ineligible Expenses

- ✗ Operating costs of sponsor/owner
- ✗ Processing fees to administer AHP project
- ✗ Replacement reserves
- ✗ Operating reserves
- ✗ Investor services or asset management fees



Applicants must be able to demonstrate...



- ▶ Need for subsidy
- ▶ Readiness to proceed
- ▶ Reasonable and realistic
- ▶ Capacity
- ▶ Minimum requirements for targeting
- ▶ Housing costs must be affordable*
- ▶ AHP subsidy must be used for eligible purpose
- ▶ Demonstrated market need for housing type



*Incomes must be validated with third-party documentation



Cass Plaza Apartments involves the total renovation of 2 vacant buildings into 47 affordable units. The project is located at the entrance to the Midtown area of Detroit and involves the restoration of two historic buildings. This strategic development initiative eliminates 2 vacant buildings decreasing blight and addresses community needs for additional units of affordable housing.

2016 AHP – Scoring Criteria*



* Yellow indicates criteria that are new in 2016

2016 Scoring Objectives – What has changed



- ▶ Donated property – RAD conversion
- ▶ Housing for homeless – up to 6 points
- ▶ Aging in community – up to 6 points
- ▶ Eliminated points for comprehensive community development
- ▶ ***New*** Desirable sites – up to 5 points
 - Proximity to transportation
 - Site amenities
- ▶ ***New*** Small projects – 3 points for less than 25 units
- ▶ Stabilization – 75% of proposed land or property
- ▶ Building green – up to 6 points
 - Green certification
 - Incorporating listed green standards





The Hawks Art and Enterprise center is a 35 unit adaptive reuse of an 1885 furniture factory currently vacant on Goshen's Mill Race Canal. The project is part of the downtown area targeted for re-development with significant city contributions, including donation of land and environmental cleanup. Artists and entrepreneurs are targeted for the 1- and 2- bedroom live/work units, with common space included.



AHP Monitoring – There are Strings Attached!

▶ Sponsor

- Prepares reports and submits to member semi-annually during development phase

▶ Member

- submits reports to FHLBI

▶ FHLBI:

- Initial monitoring at completion
- Long-term monitoring for rental projects:
 - Project is habitable
 - Rents, incomes in compliance with targeting commitments



- ▶ **Legal document 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 document





Harbor Pines is new construction of one building with six units providing permanent supportive housing for individuals with developmental disabilities and/or physical disabilities. Units feature large bedrooms with bathrooms shared between two bedrooms. Unique features include universal design, principles of aging in place and access to a private guest area to accommodate family members and visitors.



▶ Member Role

- Underwrites projects
- Maintains relationship with sponsor
- Oversees construction and disbursement of funds
- Provides compliance reports and disbursement requests to FHLBI
- *May be required to repay AHP subsidy*
- *May require additional reporting beyond AHP requirements*
- *May require security instrument in addition to Retention Agreement*

▶ Sponsor Role

- Assemble well-documented realistic application
- Inform member and FHLBI when things change
- Prepare well-documented compliance reports and disbursement requests
- Treat the AHP grant like a loan – the Member is! (AHP Agreement)
- Understand requirements to remain in compliance with regulations
- Understand repayment obligation



- ▶ 2016 Implementation Plan
- ▶ AHP Application Tips & Tools
- ▶ Notification of Intent
- ▶ Training on Demand
- ▶ Quick Smart Score
- ▶ FHLBI Empowerment MOU (excel workbook)
- ▶ Awardee lists / Statistics
- ▶ AHP Application File



Use our team as a resource to ensure your application is complete, accurate and explains the value of your AHP project!

Technical Reviews

For AHP applications submitted by March 31st
April 5-6 – Okemos, MI
April 12-14 – Indianapolis

Training On Demand

FHLBI's Community Investment team offers one-on-one training and support upon request by member institutions



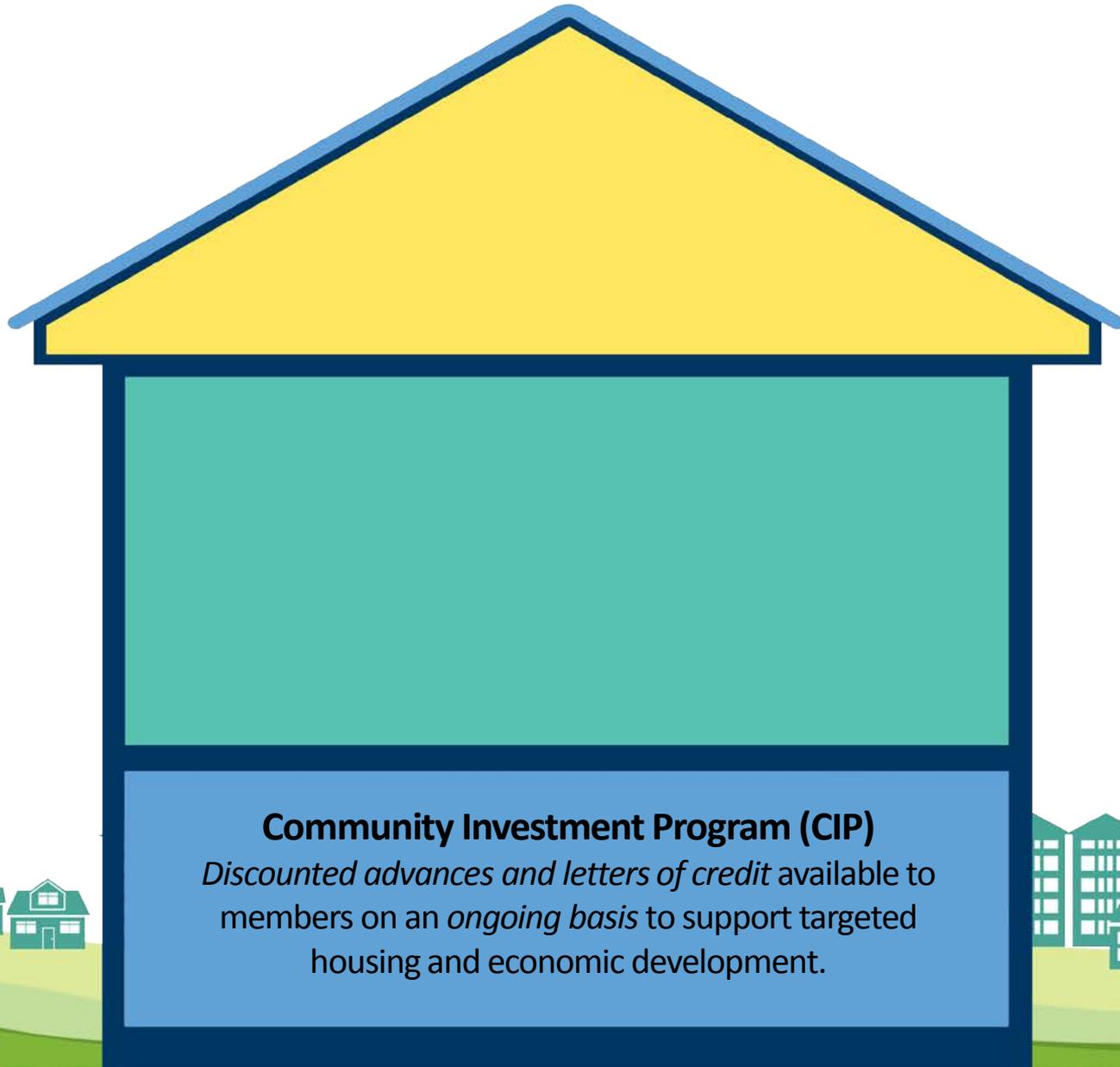


Tree City Village, home of the "Old Dress Factory," will consist of 9 one-bedroom units and 30 two-bedroom units. Adapting this old building into apartments will bring life to this otherwise dilapidated vacant structure. The need for the project was determined after having discussions with the mayor and other key stakeholders in the community.



CIP Overview





Community Investment Program (CIP)

Discounted advances and letters of credit available to members on an *ongoing basis* to support targeted housing and economic development.

Community Investment Program (CIP)

CIP are discounted advances and letters of credit available to members on an ongoing basis to support targeted housing and economic development

- ▶ FHLBI's lowest-cost funding
 - Available at FHLBI's cost of funds, plus a nominal administrative fee (non-competitive)
- ▶ Flexible terms/structure
 - Variable and fixed to 20-year
 - Up to 30-year amortization
- ▶ Same collateral, prepayment terms, and activity-based stock requirements as traditional advances





In partnership with First Bank of Berne, local entrepreneur Quad Properties has been developing market rate rental housing in Berne, IN. A total of 60 two-bedroom units have been developed since 2007 using CIP advances and owner equity. The most recent phase of 12 units was completed with a \$760,000 ten-year loan. Units rent for \$500.

CIP can be used to support
owner *or* rental residential projects

▶ Ownership Residential

- Individual owner-occupied units owned or purchased
- All household incomes $\leq 115\%$ of Area Median Income (AMI)
- **Required Documentation:** List of originated mortgages

▶ Rental Residential

- Financing of rental units and cooperatives
- At least 51% of resident incomes $\leq 115\%$ of AMI or
- Rents affordable to at least 51% residents whose incomes are $\leq 115\%$ AMI
- **Required Documentation:** Rent roll, FHLBI Rent Schedule, or Income Roll





Consumers Credit Union constructed two facilities in 2015, one to expand an existing market in Kalamazoo and one in a new market in Grand Rapids. The two projects created 8 jobs.

CIP can be used to support the establishment of small businesses, or projects that create jobs in communities.

▶ **Small Business Concern**

- Small Business Administration revenue/size standards (North American Industry Classification System Codes (NAICS))
- **Required Documentation:** Proof of revenue

▶ **Job creation/retention at qualified wage levels**

- At least 51% of job salaries $\leq 115\%$ AMI for rural
- At least 51% of job salaries $\leq 100\%$ AMI for urban
- **Required Documentation:** FHLBI Job Information Form



▶ Services/benefits to urban or rural area



≤100% AMI for urban areas



≤115% AMI for rural areas

▶ Project location in targeted area (*income exemption*)

- ✓ Rural/urban Champion Community, Empowerment Zone, or Enterprise Community
- ✓ State of Michigan Renaissance Zone
- ✓ Native American area
- ✓ State of Indiana Enterprise Zone
- ✓ Area affected by a federal military base closing or realignment
- ✓ Federal Brownfield Tax Credit
- ✓ Federally declared disaster area



Tapestry Square is a mixed-use, market rate project located in the Wealthy-Jefferson redevelopment area of Grand Rapids, MI. Sponsored by the Inner City Christian Federation (ICCF) Tapestry Square was funded in part by a \$1.4 million Community Investment Program (CIP) advance secured by Founders Bank & Trust in 2013.

CIP: Real Opportunities to Spur Local Economic Growth



Commercial initiatives:

- Shopping Centers
- Office Buildings
- Hotels
- Retail Stores
- Member Branches



Infrastructure:

- Roads
- Sidewalks
- Utilities



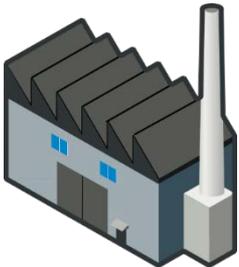
Social Services initiatives:

- Office space for nonprofits
- Day-care Centers
- Hospitals
- Nursing Homes



Public-facility initiatives

- Buildings/vehicles for police or fire departments



Industrial/manufacturing initiatives:

- Factories
- Bakeries
- Assembly plants
- Warehouses



Affordable Housing & Community Investment Programs

Homeownership Initiatives (HOP, NIP, AMP, DRP)



Homeownership Initiatives (HOP, NIP, AMP & DRP)

First-come, first-served grant funding programs for members that match each step in the lifecycle of homeownership, from managing down payment and closing costs, to owner-occupied rehabilitation, to accessibility modification assistance for seniors and people with disabilities, to disaster relief.



Homeownership Initiatives



HOP:
Homeownership
Opportunities
Program



NIP:
Neighborhood
Impact
Program



DRP:
Disaster Relief
Program



AMP:
Accessibility
Modifications
Program

FHLBI's Homeownership Initiatives are designed to help address local community housing needs throughout the entire lifecycle of homeownership.

▶ HOP – Homeownership Opportunities Program

- Down payment and closing cost assistance for eligible first-time homebuyers (**\$500,000 per member cap**)

▶ NIP – Neighborhood Impact Program

- Owner-occupied rehabilitation for eligible homeowners (**\$300,000/member cap**)

▶ AMP – Accessibility Modifications Program

- Homeowner accessibility modifications and rehabilitation for eligible senior or disabled households (**\$300,000 member cap**)

▶ DRP – Disaster Relief Program

- FHLBI Board of Directors approved homeowner rehabilitation or down payment assistance necessary to respond to state or federally declared disaster



2015 Program Year Highlights



Homeownership Initiatives Allocation: \$4.6M

Program Year Opening: April 4, 2015

Funds Exhausted: October 9, 2015

Program	Households Assisted	Funds Disbursed	Average per Household
HOP	334	\$2.9M	\$8,683
NIP	293	\$2.1M	\$7,167
AMP	4	\$53.7k	\$13,425



2015 Homeownership Initiatives by the Numbers



631	Households assisted (<i>737 requests rec'd</i>)
\$5.1M	Funds disbursed
9	New member participants
60	Total member participants
123	Avg. number of requests received each month
11.7	Avg. days to disburse NIP funds
9.1	Avg. days to disburse HOP funds
110	Compliance Monitoring Reviews
\$336K	Recaptured Funds
14	Retention Period Sales or Refis (lien released)
35	Foreclosure Notices (pending and final)



▶ **Stronger interactions with customers**

- Generate mortgage business
- Retain customers
- Generate new deposit customers
- Cross-sell business products
- Assist with CRA compliance

▶ **Working with a non-profit or government entity**

- Build partnerships with local community groups
- Partner with organizations providing housing counseling services
- Partner with local units of government to revitalize neighborhoods
- Partner with aging in place organizations and faith-based support groups to assist seniors and persons with disabilities



Customize our Homeownership Initiatives to meet your business needs and objectives...



- ▶ Limit to existing customers or require customer/banking relationship
 - ▶ Limit to employees (great for staff recruitment/retention!)
 - ▶ Limit NIP scope to basics: windows/doors, siding/insulation, etc.
 - ▶ Customize program to meet your institution's objectives
 - ▶ Require partner organizations to attend FHLBI training
-
- Execute MOUs, agency contract or similar agreement with partnering organizations that outlines duties, expectations and transactional restrictions

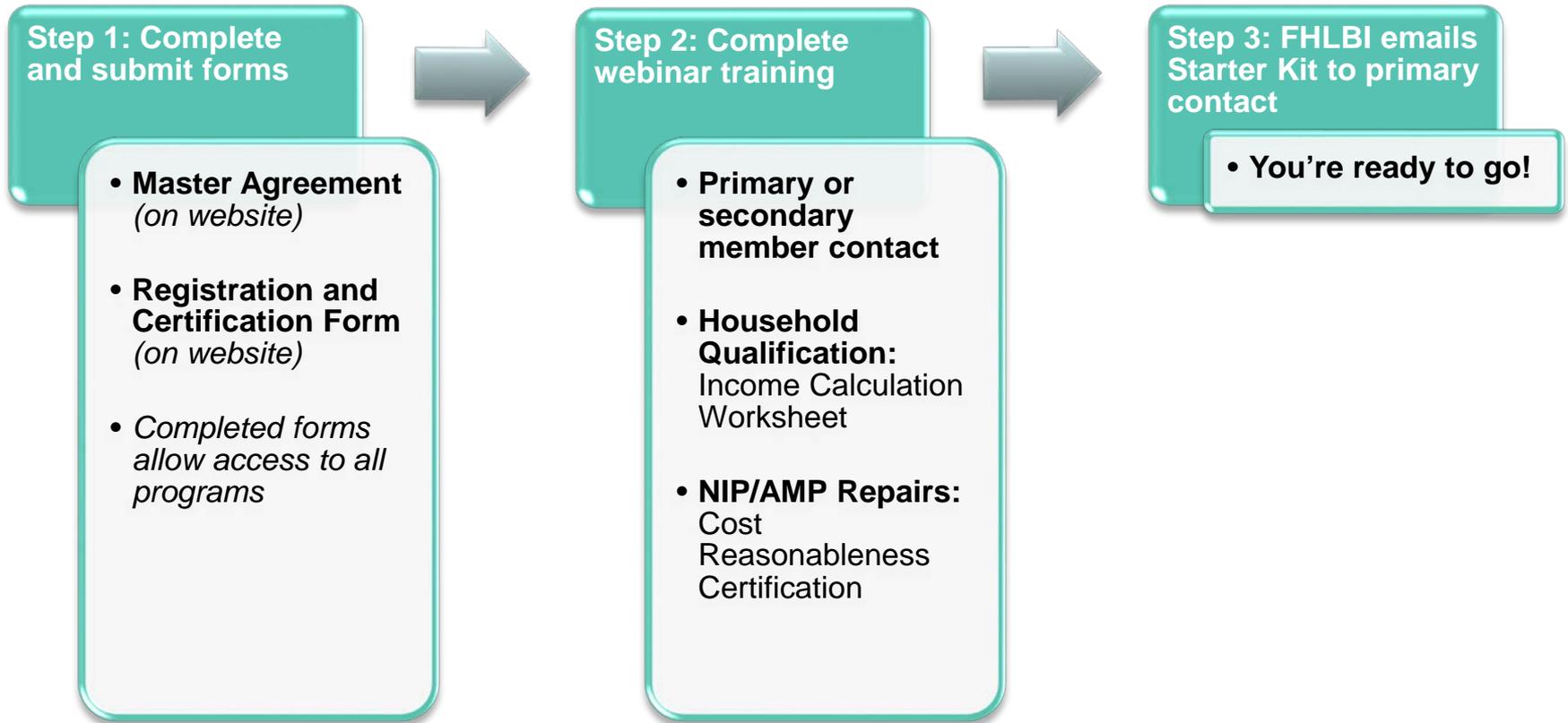


- ▶ **Know/understand programs, requirements, regulation***
- ▶ **Exercise due diligence in approval of households and disbursement of funds**
- ▶ **Ensure partnering organizations understand programs**
- ▶ **When partnering with non-member, confirm reasonable financing costs of transaction:**
 - **The rate of interest, points, fees, and any other charges for all loans that are made for the project in conjunction with the subsidy does not exceed a reasonable market rate for loans of similar maturity, terms and risk. (See § 1291.6 (c) (7) Financing Costs)**

*See Implementation Plan for detailed requirements



How do Members Participate?



General Homeownership Initiatives – Requirements



- ▶ Income limit $\leq 80\%$ of AMI

- ▶ 5-year retention recorded to property title
 - prorated recapture over the 5 years

- ▶ Households may receive funding under one program only within 5-year period

- ▶ Funding is first come, first served

- ▶ Available balance updated on FHLBI Website

**FHLBI's Homeownership Initiatives:
a simple and effective way to engage
with your community and support your customers.**



Affordable Housing & Community Investment Programs

Homeownership Opportunities Program (HOP)





Holland, MI – Macatawa Bank assisted the Weirsma family with HOP funds to purchase their first home.



HOP requirements and guidelines

HOP (Homeownership Opportunities Program) grants provide members with resources to offer down payment and closing cost assistance for eligible first-time homebuyers only*

Up to \$10,000	Up to \$5,000
<ul style="list-style-type: none">▶ Member originated▶ No member REOs▶ Adhere to specified loan transaction terms*	<ul style="list-style-type: none">▶ Non-member originated▶ \$1 in matching funds required for each \$3 of HOP subsidy▶ No member REOs▶ Adhere to specified loan transaction terms*

*See Implementation Plan for detailed requirements

HOP requirements/guidelines for households...

- ▶ Must be first-time homebuyer
- ▶ Minimum \$1,000 cash contribution (borrower's own funds)
- ▶ Homebuyer counseling required
 - Face/face and HUD or State certified program; *or*
 - FHLBI-approved online counseling with face/face follow-up meeting
- ▶ Must use HOP towards down payment and/or eligible closing costs
- ▶ Appraisal required
- ▶ Rehab costs paid by 3rd party or paid POC
- ▶ No non-arm's length transactions
- ▶ No construction-perm transactions



*See Implementation Plan for requirements



Affordable Housing & Community Investment Programs

Neighborhood Impact Program (NIP)





Detroit, MI – Level One Bank assisted the Whitfield family with NIP funds to replace the roof.

FHLBI's NIP grants support owner-occupied rehabilitation for eligible homeowners

Up to \$10,000	Up to \$7,500
<ul style="list-style-type: none">▶ Member current first-lien or mortgage paid in full under member; <i>or</i>▶ Homeowner receives \$1 matching funds from eligible source such as HOME or CDBG for each \$3 in NIP subsidy	<ul style="list-style-type: none">▶ No member first-lien▶ No matching funds
<ul style="list-style-type: none">• Funds must be used for eligible repairs*<ul style="list-style-type: none">• <i>i.e.</i> roofing, windows, exterior doors, gutters, siding, HVAC• Work must be completed within 6 months of FHLBI disbursement	

*See Implementation Plan for detailed requirements

NIP Bid Requirements



Cost Reasonableness Certification	Bids
<ul style="list-style-type: none">▶ Executed by member representative▶ Submitted with each grant request▶ Will be monitored during post-closing compliance reviews	<ul style="list-style-type: none">▶ 2 comparable bids for each repair (doors + HVAC = 4 bids)▶ Bids' variance not to exceed 30%, or provide reasonable explanation▶ Request supported by at least one bid▶ Pertinent bid information required

*See Implementation Plan for detailed requirements



Notable NIP Requirements + Recommendations...



Requirements*	Recommendations*
<ul style="list-style-type: none">▶ Homeowner must own and occupy property 18 months prior to enrollment date<ul style="list-style-type: none">▪ no changes to owners in title during the 18-month time period▶ Household must be current on mortgage▶ Not eligible for repairs of business areas of a home-based business	<ul style="list-style-type: none">▶ Ensure clear title<ul style="list-style-type: none">▪ limited scope title search (tax lien free!)▶ Review credit history<ul style="list-style-type: none">▪ may affect ownership status▶ Confirm current homeowner's insurance▶ Use licensed/bonded contractors▶ Ensure joint paid checks to homeowners and contractors▶ Approve and oversee rehab work▶ Before/after photos of rehabilitation

*See Implementation Plan for detailed requirements



Affordable Housing & Community Investment Programs

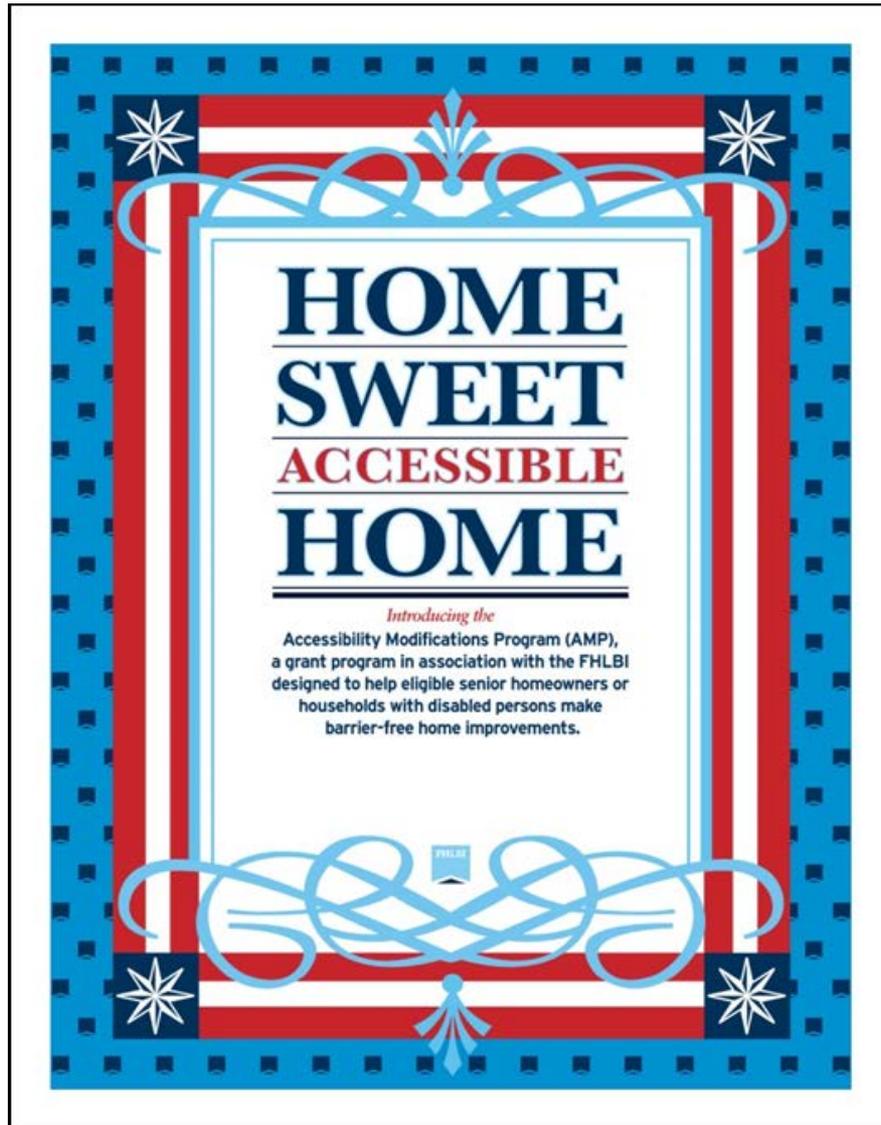
Accessibility Modifications Program (AMP)





South Bend, IN – The Parker family, working with 1st Source Bank, received an AMP grant to install a chair lift to enable them to access the second floor of their home.

Accessibility Modifications Program (AMP)



- ▶ AMP grants support homeowner accessibility modifications and rehabilitation for eligible senior or disabled households
 - **\$15,000** maximum per household – No Match required
 - Capped at **\$300,000**/member
 - Members may customize program parameters, *i.e.*, focus on seniors or veterans.

AMP Requirements and Guidelines

AMP grants support homeowner accessibility modifications and rehabilitation for eligible senior or disabled households that bank with FHLBI members



Three income-eligible households:*

- ▶ **Type A** – all members age 62 or older
- ▶ **Type B** – all members age 62 or older and legal guardian of a child 17 or younger
- ▶ **Type C** – a member(s) of any age with a permanent disability and currently receives permanent disability-related benefits

*See Implementation Plan for eligibility details



Eligible AMP Modifications for your Customers include...



- ▶ Ramps/zero-step entries
- ▶ Handrails
- ▶ Levered door handles
- ▶ Widening doorways
- ▶ Easy-entry bathtubs
- ▶ Roll-in showers
- ▶ Chair-lifts
- ▶ Grab bars

*The fine print:**

- Modifications must address needs of household member
- Employs ADA or Universal Design modifications, when possible
- Homeowner must own and occupy property 18 months prior to enrollment date with no changes to owners in title during that period
- Work must be completed within **six months** of FHLBI disbursement
- May not be used toward repairs of home-based businesses



*See Implementation Plan for detailed requirements

AMP bid requirements = NIP requirements plus...

Cost Reasonableness Certification	Bids
<ul style="list-style-type: none">▶ Executed by member representative▶ Certifies to the fact that the accessibility modification components and all related work are necessary to meet the accessibility needs of the household member(s)	<ul style="list-style-type: none">▶ May be requested by FHLBI during disbursement review▶ Must include specific details of the accessibility modifications: accessible - toilet, vanity, roll-in shower▶ Must describe installation plans and specifications for the accessibility features



Accessibility Modifications Program (AMP)

FHLBI offers members AMP marketing Starter Kit:

- 8.5" x 11" flyers
- 6" x 4" information cards





Guest Speakers



Conclusion and Next Steps

▶ My Action List:

1.

2.

3.

4.

5.

▶ Complete within the next 90 days

