

**2016**  
**COMMUNITY**  
**LENDING PLAN**

**Numbers Tell  
The Story**

**25 YEARS OF  
AFFORDABLE HOUSING &  
COMMUNITY INVESTMENT  
PROGRAMS**

**AFFORDABLE HOUSING  
COMPETITIVE GRANTS**

**\$263M**

**HOMEOWNERSHIP  
INITIATIVES**

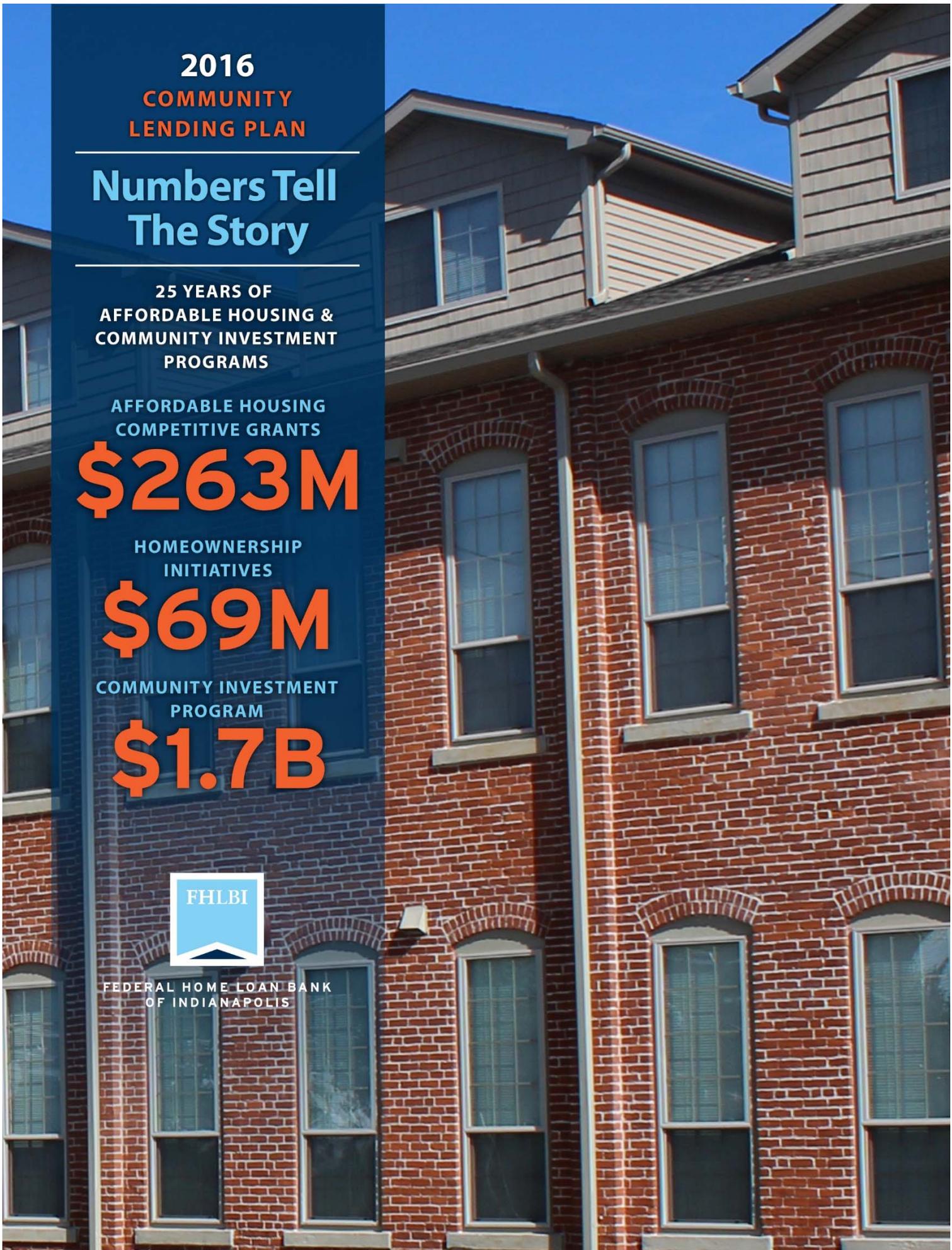
**\$69M**

**COMMUNITY INVESTMENT  
PROGRAM**

**\$1.7B**



**FEDERAL HOME LOAN BANK  
OF INDIANAPOLIS**



## 1: Background

The CICA Regulation, 12 C.F.R. Part 1292, requires each FHLBank to develop a Community Lending Plan. This plan is 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, non-member 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 2016-2018 Strategic Plan, the 2015 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. The Strategic Plan focuses on three key strategic initiatives that are designed to deliver results while carefully balancing our risk appetite: promoting membership, modernizing the capital plan and growing MPP solutions. This approach is highlighted in our mission as follows.

### Mission

To help families afford housing by partnering with member financial institutions in Indiana and Michigan to meet their funding needs for liquidity, residential mortgage loans, and loans to support the economic growth and job creation for their communities. The FHLBI also provides grants for building and rehabilitating low-income housing. The FHLBI expects to deliver a market return on the equity investment by its member/owner institutions.

### Strategic Objectives

Be the reliable provider of wholesale funds to member institutions for their spectrum of funding and financial flexibility needs.

Provide an attractive and efficient secondary market outlet for members to sell their mortgage loans.

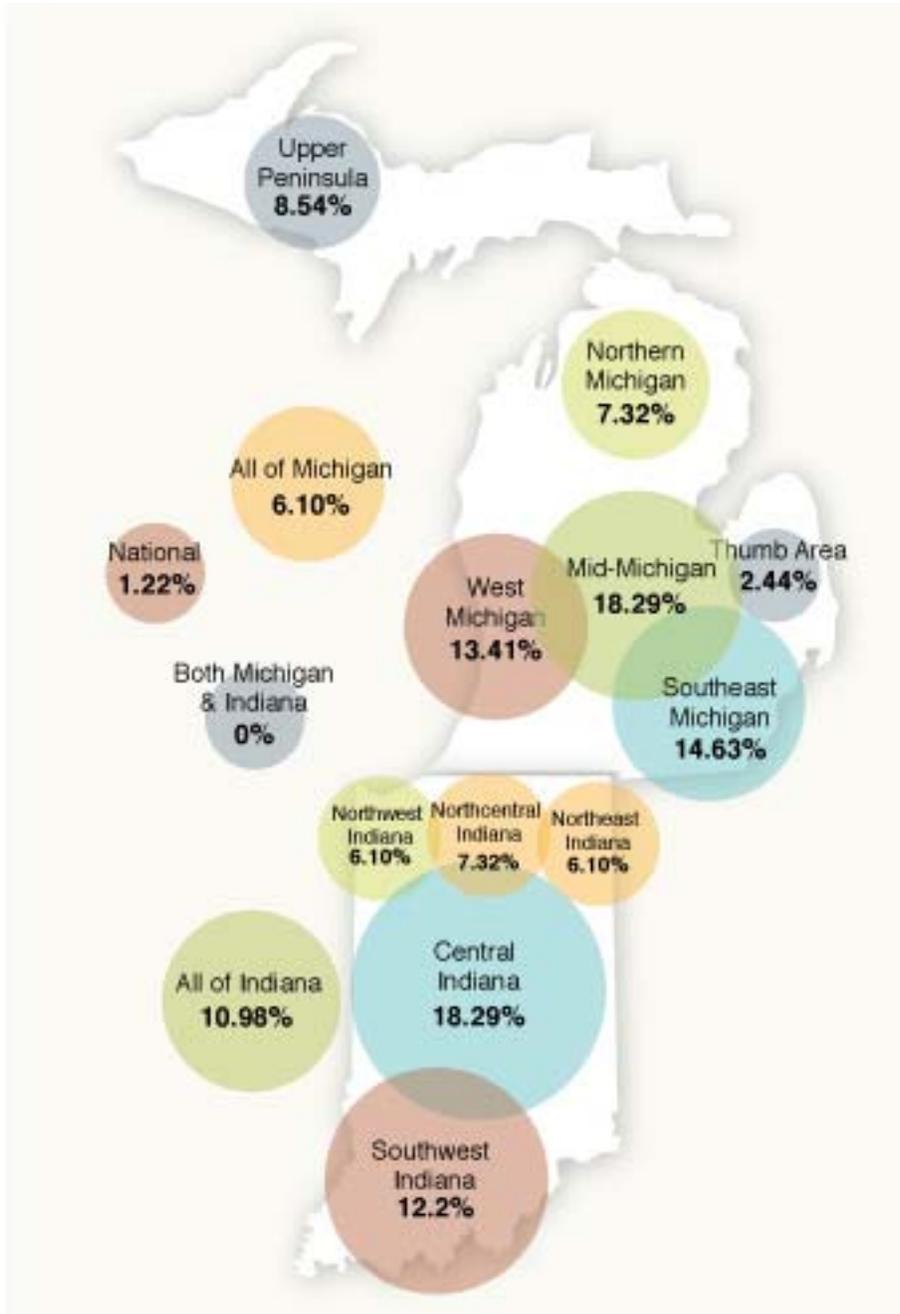
Deliver funding solutions designed to specifically assist low- to moderate-income families obtain affordable housing while promoting economic growth and employment within local communities.

Provide a return on our members' equity investment that reflects the FHLBI's well controlled, low-risk profile and makes ownership of FHLBI stock a desirable investment.

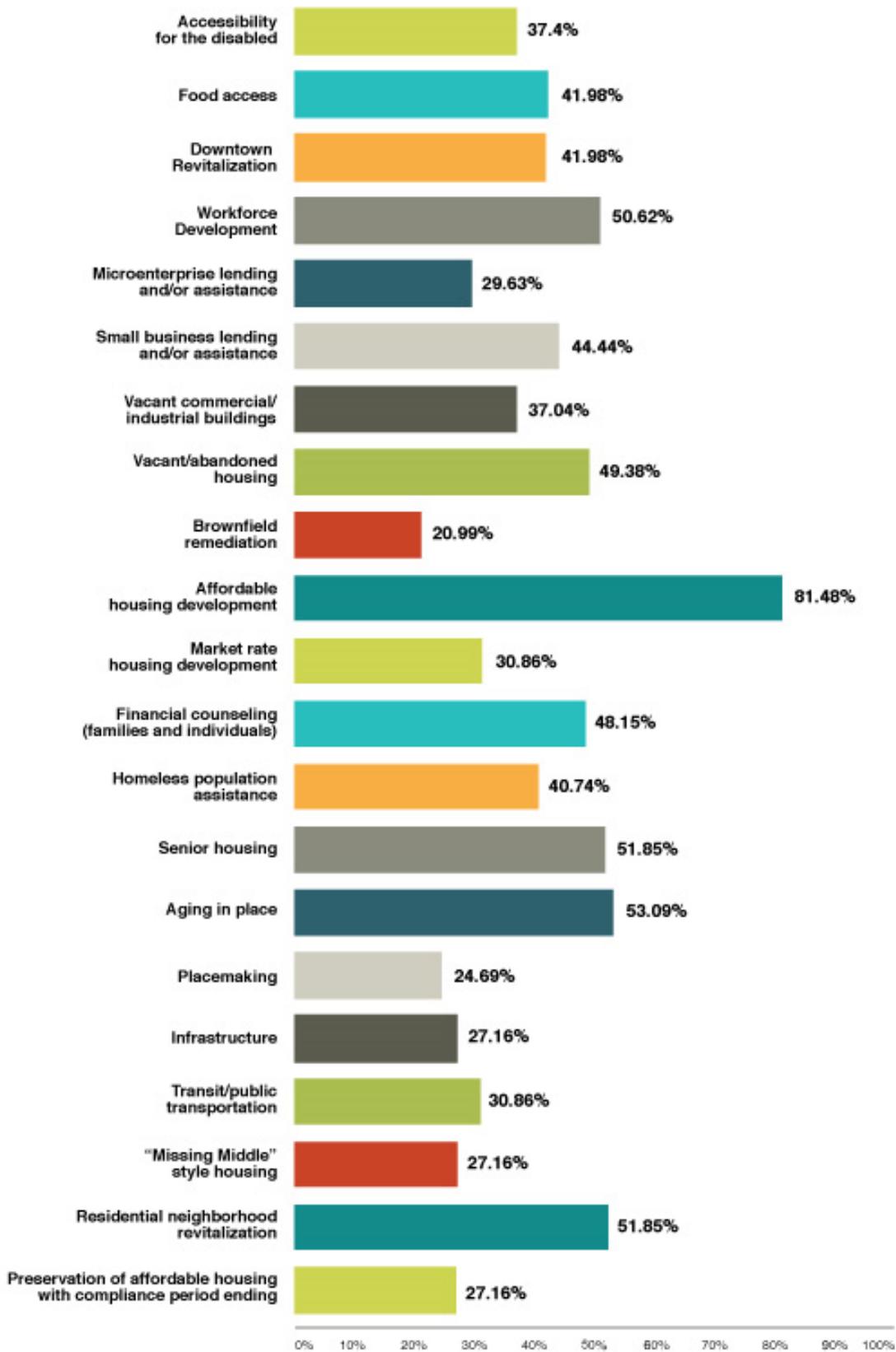
Maximize activities that enhance carrying out FHLBI's mission.

## 2: Market Needs Assessment

In planning for the 2016 Community Lending Plan, FHLBI contracted with the Indiana Association for Community and Economic Development (IACED) and the Community Economic Development Association of Michigan (CEDAM) to survey members and community partners. The survey was distributed to FHLBI members and partners, IACED members, and CEDAM members. There were 85 survey respondents compared to 214 in the 2014 survey. Although we received fewer responses compared to 2014, the survey was sent to a smaller database to focus responses on those most likely to have experience with the FHLBI or a relationship to affordable housing. Of the responses, 37 percent were non-profit organizations, 26 percent were FHLBI members, and 15 percent were non-profit housing developers. Responders were asked to identify the area of operation of their organization. Central Indiana and mid-Michigan had the highest number of participants.



Survey participants were asked to list the current community economic development needs in their community. The top community economic development needs are:



Several responders noted that the demand for rental housing is increasing with incredible pressure on affordable housing and middle-income housing. Another reported theme is that the area population is aging and more senior housing is needed.

The most significant needs reported by Indiana responders are: affordable housing, aging in place and senior housing. According to Michigan responders, the most significant needs are: affordable housing, senior housing, vacant housing and aging in place. FHLBI member financial institutions agree that the most significant need is affordable housing. Otherwise, member financial institutions responded with a different list of significant needs including: residential neighborhood revitalization, small business lending, vacant housing, financial counseling and downtown revitalization.

Survey participants were also asked to rate the need for various community economic development lending tools in their market. The highest rated tool is down payment or closing cost assistance for mortgage loans followed by rehabilitation or development of rental housing, home improvement loans and construction financing for affordable housing. When asked which tools are not important, industry attraction was at the top of the list followed closely by micro-lending programs.

The survey attempted to measure respondents' familiarity with Community Investment programs. The survey revealed that organizations have extensive or average knowledge of community investment products except for Community Investment Program (CIP) advances, CIP letters of credit and the Accessibilities Modification Program (AMP). The lack of CIP knowledge is expected since that is a product for FHLBI members and 75% of the responders were non-members.

The survey responses also provided valuable feedback through open-ended questions on topics such as the role of FHLBI products in meeting CRA objectives, examples of successful community economic development projects, and obstacles faced in using FHLBI community investment products. FHLBI members responded that community investment products help meet CRA obligations and enhance existing product / service lines. The Homeownership Opportunities Program (HOP) providing assistance to first-time homebuyers was most frequently mentioned as helping to meet CRA objectives.

This year, we asked questions about modernization of the AHP regulations. The changes most supported are: creative allocation strategies that are adaptive and responsive to diverse and evolving housing needs (79%), partnerships among FHLBanks, community groups and other funders (68%) and simplify administration (66%). Staff will consider survey responses throughout the year at staff meetings, Affordable Housing Advisory Council (AHAC)/Affordable Housing Committee (AHC) meetings, AHC foundational meetings, and for future changes to the AHP Implementation Plan.

In July 2015, three residents of properties assisted by competitive Affordable Housing Program (AHP) funding spoke at the joint meeting of the AHAC/AHC. The residents' testimonies demonstrated the ultimate impact of AHP products in changing lives and supporting residents with special needs. One Michigan resident was a renter in an AHP assisted property and described her perseverance to achieve her goal of homeownership. Two Indiana residents described the importance of supportive services, one as a resident in a domestic violence shelter and one as a resident of a senior property where she lives with her adult son who has a disability.

In May 2015, during the AHAC quarterly meeting in Traverse City, MI, we toured 4 properties funded with AHP and saw how partners come together to use grant dollars to meet an array of housing needs in the community including transitional housing, permanent supportive housing and energy efficient homes for first-time homebuyers.

A majority of the members of the AHAC and AHC of the Board of Directors participated on the 2016 AHP Implementation Plan subcommittee. During the subcommittee meetings, Community Investment staff provided an overview of the AHP regulations, including specifics on which scoring criteria are regulatory and which criteria are at our discretion to modify. In 2015, an AHP Modernization Subcommittee was formed to discuss the AHP regulation and provided feedback on

modernization to the AHAC Chair and Vice Chair who shared this information at the FHFA AHAC Leadership meeting in October 2015.

The AHAC and AHC also provide valuable input throughout the year on our district's housing and lending needs. We will continue to use their input and will survey members and community partners following outreach and training events and as part of the planning for the 2017 Implementation Plan and Community Lending Plan.

### 3: Affordable Housing Program (AHP)

FHLBI's AHAC and AHC are comprised of committed and experienced housing and community development advocates and developers, as well as member financial institutions. In addition to the quarterly meetings, an Implementation Plan Subcommittee met monthly by conference call from June through early November to review the preliminary results of the 2015 Plan and recommend changes for 2016. The Implementation Plan Subcommittee completed its work in November, allowing for the 2016 AHP Implementation Plan to be submitted for AHAC/AHC consideration and recommendation for Board approval at the November Board of Directors meeting. For 2016, the first district priorities continue to be permanent supportive housing (including special needs housing and elderly housing promoting Aging in Community), member financial involvement and economic diversity.

Second district priorities support desirable sites initiatives, small projects and project readiness to proceed. Desirable sites initiative has up to 5 points available for projects that demonstrate proximity/access to public transportation and listed amenity categories. Three points are available for small projects with less than 25 units. The desirable sites initiative and small project points replace points for comprehensive community development. We saw a bias toward Indiana applications given the state's Stellar Communities initiative and resulting availability to capacity building.

The 2014 AHP Implementation Plan excluded AHP applications in which the funding gap resulted in a subsidy per unit in excess of \$75,000. The 2014 competitive applications demonstrated the desired results of increased leveraging of funding sources, including member financial institution permanent debt, where appropriate. Results were discussed with the Subcommittee and this threshold will remain for 2016.

Housing promoting seniors aging in place continues to meet a growing need in both Michigan and Indiana. The Aging in Place category is renamed Aging in Community to align with housing initiatives at the state level. We encourage the use of Universal Design features best suited to the target population. To make these points more equitable and impactful, two point tiers will again be available in 2016. Projects where all occupants of the units are at least 62 years of age or have a qualifying disability and for which supports are coordinated and planned on-site using an active "Person Centered" planning process, wherein all or a portion of the supportive service costs are incurred by the owner/sponsor as evidenced through a separate and detailed supportive service pro-forma will receive 6 points. Projects where at least 80% of the units are occupied by one person age 55 or older, but not providing on-going resident assessment more than one time per year; wherein such services are provided on a referral basis off-site to agencies and providers of such services and no or minimal supportive service costs are incurred by the sponsor/owner will receive 2 points.

### 4: Marketing, Outreach and Training

In 2015, the Community Investment staff continued its collaboration with the Marketing Department to broaden the impact of all Community Investment programs, including CIP advances. We responded to members' needs using joint venues and training workshops throughout the district to promote FHLBI products and resources. Through these and other outreach efforts, we have continued to increase the number of new member participants, particularly in the Homeownership Initiatives. CIP advances in 2015 exceeded the year's goal. Collaboration with Marketing will continue in 2016. In the third quarter of 2015, the Marketing Department hired an Account Manager based in Michigan to focus on outreach and promotion of programs administered by the Community Investment Department. Community Investment staff also participate in meetings and conferences with other community economic development partners such as state housing finance agencies, state community development trade organizations and other partners.

Six training sessions were offered at the end of February and through March 2015, divided equally between Indiana and Michigan. These sessions and their locations were arranged and supported by the Marketing Department staff, with CID staff providing the speakers and agenda. In addition to providing overview information about the AHP, the Homeownership Initiatives and CIP, the workshops included presentations by member financial institution representatives who shared their experiences with community investment products and lessons learned. Participants were given the opportunity to network by participating in a networking activity.

A total of 298 attendees participated in these six sessions, a decrease from 352 attendees in 2014. 380 individuals registered but winter weather was a factor in reduced attendance. Participants indicate a continued interest in face-to-face training opportunities regarding Community Investment programs. In Indiana, 169 attended the sessions in Indianapolis, Evansville, and South Bend, and in Michigan 129 attended the sessions offered in Grand Rapids, Traverse City and Troy. 148 of these workshop attendees represented member financial institutions.

The mandatory member training for Homeownership Initiatives was delivered via 6 webinars. The webinar training focused on qualifying the household for the programs and the requirements around obtaining repair bids. The webinars were well attended with 323 member representatives and nearly 60 community partners and nonprofit organizations participating.

CID conducted an email survey of participants within a week of each session to capture feedback on the location and training opportunities. The overall response was very positive, with most topics receiving a Very Useful rating from a significant portion of survey respondents. Respondents commented positively about the timing of the sessions, locations, and length of presentations.

In 2015, the Community Investment staff provided outreach to all member financial institutions and to partner organizations in Michigan and Indiana through its extensive mailing list and each state's non-profit housing and economic development trade organizations. Staff participated on several task force groups or councils and served as panelists for training sponsored by the state housing finance authorities and statewide housing and community and economic development conferences. At each statewide conference, we present a representative from one of our member financial institutions with a Community Spirit Award to honor the individual's outstanding commitment to affordable housing and community economic development. In addition, staff gave presentations at an FDIC/MSHDA/FHLBI/FedReserve/OCC event in Detroit, MI. FHLBI staff exhibited at both the Indiana and Michigan Habitat for Humanity conferences in the fall. AHP in-depth training was offered to 2015A applicants through Training on Demand options available through members, a series of webinars, helplines, help mail, and three days of technical application reviews in March prior to the application deadline.

Community Investment staff also exhibited and distributed program information at Indiana and Michigan banking and credit union conferences, and presented at various community development, CRA association, and rural development conferences in both states. Community Investment presentations were also incorporated into the 2015 FHLBI MPP Conferences and the Member Symposium held in each state.

Finally, a series of four forums were held at various AHP awarded project locations throughout Michigan and Indiana to demonstrate and share best practices on creating high impact housing through the competitive AHP. Because of meeting room limitations, the forums targeted smaller audiences and were intimate, engaged discussions among peers. A total of 44 participants representing members and community development organizations learned from their peers about the challenges faced in developing affordable housing. Host projects were chosen by the specific targeted population each serves: young adults aging out of foster care, elderly aging in place, chronically homeless, adults with developmental disabilities, and families. Additionally, one Michigan member hosted a Learning Lab for its non-profit partners. FHLBI staff presented AHP best practices to an audience of approximately 27 housing providers. Several successful AHP sponsors spoke about their application process, the value of pre-application technical reviews, and on-going monitoring requirements.

The 2016 outreach and training calendar will repeat successful regional outreach efforts with Marketing staff, which will be conducted in both Indiana and Michigan to give an overview of all Community Investment offerings while providing member/sponsor testimonials and networking opportunities. Mandatory training for the 2016 Homeownership Initiatives will be offered via separate webinars. In addition, program information will be presented at the state affordable housing

conferences in our district as well as at conferences sponsored by the FDIC, CRA associations, Credit Union Leagues, Community Action Agencies and various other organizations involved in housing and community economic development and community lending. We will also build on the success of the competitive AHP fall forums. Working with Marketing and other bank staff, we continually identify opportunities for affordable housing and community investment for our members. We will focus on adding value for our members, benefiting communities by involving members in local development and impacting communities with quality targeted community lending.

## 5: Homeownership Initiatives (set-aside programs)

The FHLBI will continue contributing the maximum 35% allowable for 2016. FHLBI will make the Homeownership Initiative funding available as *Express* (first come, first served) in two releases (spring and fall), without designating specific uses to allow maximum flexibility for our member institutions to use funding based on district needs. As part of the 2016 set-aside calculation, one-third of the aggregate allocation will be to assist first-time homebuyers.

A new initiative, the Accessibility Modifications Program (AMP), was introduced in 2014 to respond to our district's aging homeowner population and the needs of disabled households. Both Michigan and Indiana have growing aging populations, while the number of households with disabilities has remained constant. This comprehensive homeowner rehabilitation program was developed to serve these populations and benefit members and their customers. Along with the Homeownership Opportunities Program (HOP) and Neighborhood Impact Program (NIP), AMP completes a life-cycle of homeownership programming for our members. We have identified emerging needs of the district related to the aging housing stock and demographic trends related to seniors aging in place. In 2016, we will relax the requirement that AMP recipients be customers of the member and promote AMP for modifications and NIP for seniors and aging housing stock. Efforts to reach this goal include collaboration with our Marketing and Communications departments to reach out to insurance company members and members who partner with organizations that support seniors and persons with disabilities.

Homeownership Initiative funding was available until early October 2015. In 2015, 9 new member participants accessed approximately \$5.1 million in funding that provided assistance to over 625 households.

HOP was again in 2015 the most popular among the member financial institutions. NIP finished strong as well in 2015, providing much-needed home repairs to eligible household. Most funding requests were for roofing, windows and doors, with an average grant request of \$7,200. Several members participated in AMP and provided more than \$50,000 to improve accessibility for household residents by installing ramps and modifying bathrooms.

## 6: Community Support Program

The Community Support Program regulation, 12 CFR Part 1290, was amended on May 28, 2015. The amendments will replace the process of selecting one-eighth of all applicable members for eight quarterly reviews by the FHFA over a two-year review cycle with a process of the FHFA reviewing all applicable members at the same time every two years. As part of this change, FHLBI was required to process quarter reviews six, seven and eight by the end of 2015 which included approximately 200 members.

The FHFA is required to establish regulations with standards of community investment or service for members of FHLBanks to maintain access to long-term advances. For purposes of this regulation, a long-term advance has a term to maturity greater than one year.

## 7: 2015 Goals and Accomplishments

Goals	Accomplishments
Originate \$50 – 100 million in CIP advances and letters of credit.	2015 CIP originations totaled \$238.5 million. Advances totaled \$221.7 million and letters of credit (including interest) totaled \$16.8 million.
Support multifamily housing, small business, small farm, or small agri-business lending by encouraging community financial institutions (CFI) use of advances for these purposes through targeted promotional initiatives, monitoring over collateralization requirements for “CFI eligible” collateral, and monitoring amount of “CFI eligible” collateral pledged.	As part of our quarterly analysis, CFI over-collateralization levels are reviewed as is the amount of CFI eligible collateral that is pledged. Both reports are presented quarterly to the Member Services Committee. A targeted outreach effort is being made this year to meet with CFI members. Of the 200 current CFI members, 159 received outreach through personal visits or meetings during 2015.

<p>Expand the impact of both AHP and CIP by increasing the number of new participants through focused outreach and training workshops. Partner with members, housing associates, member trade organizations, and economic development organizations to develop affordable housing and community development opportunities.</p> <ul style="list-style-type: none"> <li>○ Contact 100% of member institutions with program outreach materials.</li> <li>○ Increase attendance at training events by 10%.</li> <li>○ Achieve a target of 4 new AHP member participants.</li> <li>○ Achieve a target of 4 new set-aside member participants.</li> </ul>	<ul style="list-style-type: none"> <li>● All members contacted through 13 Community Investment Bulletins, the Community Investment Annual Report, and the <i>FHLBIindepth</i> bi-annual magazine, which regularly features successful AHP and CIP projects.</li> <li>● Attendance at our 6 CID face-to-face workshops decreased by 15% in 2015. Attendance at the 2015 outreach workshops was 298 compared to 352 in 2014. 380 individuals registered but winter weather was a factor in reduced attendance. CID staff presented program information at 8 conferences or meetings during the year, including both the MI and IN statewide housing conferences, 2 FHLBI MPP conferences, the FHLBI Member Symposium, 1 FDIC forum, and the MI CRA conference. We attended and used exhibit space at several additional conferences and events. Homeownership Initiatives staff offered two webinars for members only to address questions on administering the programs. In 2015, 4 additional forums attended by 44 participants were presented on the competitive AHP in the fall. Ongoing outreach occurs through numerous member and sponsor visits to address individual projects and potential opportunities.</li> <li>● AHP applications were not received from any members using AHP for the first time. Three members that had not submitted an application in at least 5 years were reactivated. One of these applications was awarded.</li> <li>● Nine members became new participants in the AHP Homeownership Initiatives. We have 6 new participants in HOP, 2 new participants in NIP, and 1 new participant using both HOP and NIP. One of the new NIP participants is a CDFI member.</li> </ul>
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## 7: 2016 Goals

Goals for 2016 are as follows:

- Expand the impact of both AHP and CIP by increasing the number of new participants through focused outreach and training workshops. Partner with members, housing associates, member trade organizations, and economic development organizations to create affordable housing and community development opportunities.
  - Contact 100% of member institutions with program outreach materials.
  - Work with partner organizations to promote events and include articles in their regular communications.

- Increase attendance at training events by 10%.
- Achieve a target of 4 new competitive AHP member participants.
- Achieve a target of 4 new AHP Homeownership Initiatives member participants.
- Promote the AMP by facilitating two outreach meetings in each state between FHLBI members and entities/agencies supporting seniors and/or persons with disabilities.
- Support multifamily housing, small business, small farm, or small agri-business lending by encouraging community financial institutions' (CFI) use of advances for these purposes through targeted promotional initiatives, monitoring over collateralization requirements for "CFI eligible" collateral, and monitoring the amount of "CFI eligible" collateral pledged.
- Originate \$100 - 150 million in CIP advances and letters of credit.