

# FHLB *In*depth



Volume 7, Issue 2  
Winter 2012

*A publication for the membership of the Federal Home Loan Bank of Indianapolis.*

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*Building Partnerships. Serving Communities.*

**Habitat for Humanity of St. Joseph County in northern Indiana has built a strong partnership with FHLBI member 1st Source Bank. Most recently, 1st Source obtained an advance under the FHLBI's Community Investment Program to help relocate a Habitat ReStore to a larger building.** *Read article on page 8.*

# Dates to Remember

## 2013 AHP/CIP WORKSHOPS

February 20	Indianapolis, IN
February 21	Evansville, IN
February 26	Ft. Wayne, IN
February 27	Kalamazoo, MI
March 13	Gaylord, MI
March 14	Troy, MI

## AFFORDABLE HOUSING PROGRAM

June 19	AHP Applications Due
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Check the events calendar at [www.fhlbi.com](http://www.fhlbi.com) for updates.

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Indepth is a publication of the Federal Home Loan Bank of Indianapolis Communications Department. Your comments and suggestions are welcome. Contact **Miriam Lemen** at **317.465.0438**, e-mail [mlemen@fhlbi.com](mailto:mlemen@fhlbi.com).

## EDITORIAL BOARD

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## DISCLAIMER

The articles in this magazine have been presented for educational purposes only. The FHLBI is not a financial or investment advisor. It is solely the reader's responsibility to evaluate the risks and merits of any funding strategy or business proposal before its implementation and to monitor its performance over time. If you need information for use in evaluation of a funding strategy, please contact our marketing staff.

## MESSAGE FROM THE PRESIDENT - CEO

Our emphasis in 2012 was to provide information to members on potential interest rate protection strategies and asset/liability management options that advances can provide compared to retail funding. In the current low interest rate environment, there is a real opportunity for members to borrow longer term and/or customized advances to hedge against the possibility of rising rates in the future without the usual concern of rates declining significantly. Of course, advances are available to support members' liquidity needs as well. Our experienced staff can help members better understand how our advances programs can support their strategic objectives, and I would encourage them to contact us to see how we might be of assistance.



Milton J. Miller

Our strong financial performance in 2012 allowed us to increase our dividend rate to members in the third quarter. This was due to several factors.

- Economic conditions in Indiana and Michigan finally showed signs of improvement during 2012, particularly in the job market and home prices.
- MPP Advantage continues to be popular as evidenced by 33 new or reactivated sellers in 2012.
- Lending to insurance companies remains strong.
- Retained earnings have grown nearly 53 percent since 2010.
- Declining interest rates have provided us the opportunity to beneficially reduce funding costs.

These factors provide a foundation for a successful 2013, though uncertainties persist in the financial services operating environment.

The Habitat ReStore featured on the cover is a prime example of the type of economic development that Community Investment Program (CIP) advances can generate. CIP advances provide a favorably priced source of funds that members can tap to support community-oriented mortgage lending and economic development activities in their local communities. The advances are typically priced 20-30 basis points below our posted rates for up to 20 years, with 30 year amortization available. Library expansions, multifamily housing, shopping centers and warehouses are a few examples of projects that CIP has funded.

Congratulations to the newly elected members of our Board of Directors. We look forward to working again with Maurice Winkler, Carl Liedholm, and Jonathan Bradford, whose past contributions to the Board have been invaluable, and with Karen Gregerson, CFO of STAR Financial Bank in Fort Wayne, Indiana, who joins the board for her first term. Congratulations also to Ralph Villalon of Lake City Bank in Warsaw, Indiana, who received an FHLBI Community Spirit Award early this fall. The work he has done to improve affordable housing in his community is significant and appreciated.

As some of the articles that follow emphasize, FHLBI staff remains focused on customer service and continues to look for opportunities to meet the needs of our membership. We value our relationship with our members and, likewise, want them to value us as a reliable source of funding. Jim Eibel's article on page 4 is an excellent reminder that the FHLBI has had an unrivaled history of reliability through good times and bad since 1932.

My staff and I look forward to further strengthening the relationships with our members in 2013. We thank them for their business and remain optimistic that the positive trends begun in 2012 will gain momentum in the new year.

Sincerely,

Milton J. Miller  
President-CEO

# Industry News

FHLBI • INDUSTRY NEWS

## FHLBI Director Election Results

The FHLBI recently conducted Board of Directors elections for terms covering four-years beginning January 1, 2013.

### The following two member directors were elected in Indiana.

**Maurice F. Winkler III** - *President-CEO of Peoples Federal Savings Bank of DeKalb County, Auburn, IN.* Winkler has served on the Board since 2009.

**Karen F. Gregerson** - *Senior Vice President & CFO of STAR Financial Bank, Fort Wayne, IN.* This will be Gregerson's first term on the Board.

### The following two incumbent independent directors were re-elected.

**Carl E. Liedholm** - *Professor of Economics at Michigan State University, East Lansing, MI* Liedholm has served on the Board since 2009.

**Jonathan P. Bradford** - *President and CEO of Inner City Christian Federation, Grand Rapids, MI.* Bradford was also designated as a public interest director. Public interest directors must have more than four years' experience representing consumer or community interests in banking services, credit needs, housing, or consumer financial protections.



**Karen F. Gregerson**  
SENIOR VICE PRESIDENT & CFO, STAR FINANCIAL BANK  
FORT WAYNE, IN

The Board consists of two types of directors: member and independent. Member director elections are held on a state-by-state basis, whereas independent directors are elected at large by all FHLBI members. Independent directors must demonstrate knowledge of, or experience in, such areas as financial management, auditing and accounting, risk management, project development, or organizational management. They are nominated by the Board after consultation with the Affordable Housing Advisory Council with final review and comment from our regulator, the Federal Housing Finance Agency.

## AHP Awards Total \$10.5 Million

Turning Point Emergency Shelter sponsored by Talmer Bank and Trust is one of 27 projects awarded direct subsidy in the 2012A competitive round of the Affordable Housing Program (AHP). The FHLBI awarded AHP grants totaling \$10.5 million to help create 649 units of homeownership, rental or transitional housing. Two members supported their first AHP project – Talmer Bank and Trust, Troy, MI and Charlevoix State Bank, Charlevoix, MI. Eight members submitted applications for the first time, or in at least five years, six of which were in Michigan.

The focus for the 2012 round was affordable housing for the homeless and seniors, supportive housing for households with special needs, and projects that are part of a broader comprehensive community development strategy. The majority of the awarded projects received points for readiness to proceed and have multiple layers of funding, including Low Income Housing Tax Credits, city and state HOME, CDBG, local private foundations and member financing or donations. These dollars will leverage the AHP funding in Indiana and Michigan communities.

Grants awarded include:

- New housing construction for seniors
- New rental housing construction for low-income families
- Rehabilitation of vacant historic buildings into rental units
- Rental projects promoting economic diversity
- Apartments with supportive services
- Transitional and emergency shelter projects

**Insurance Companies**  
**Partners in Our Mission**

The FHLBI has created a short video to show the impact that insurance companies are having on their local communities through their participation in the Affordable Housing Program. The video, created for government relations use on Capitol Hill, illustrates the fact that insurance companies are true partners in our housing mission.

To watch the video, visit FHLBI's YouTube channel at [www.youtube.com/user/FHLBICommunications](http://www.youtube.com/user/FHLBICommunications)

# FHLBI Hosts Annual Meetings

The FHLBI's Regional Member Meetings began Aug. 14 in Vevay, IN and concluded Aug. 29 in Grand Rapids, MI. The six meetings offered presentations about regional and national economies, as well as trends in business and economic development.

## KEYNOTE SPEAKERS FOR THE MEETINGS

**Gerry Dick** - Host, Inside INdiana Business. Highlights of Dick's presentation included discussions about Indiana's job growth and concerns about the workforce, citing surveys that reveal companies' concerns that workers lack critical thinking and planning skills, as well as a work ethic. He mentioned that in addition to manufacturing jobs, job sectors gaining momentum include the life sciences, technology and agricultural innovation.

**Eric Hanna** - Debt Capital Programs, Michigan Economic Development Corp. Hanna's presentation focused on economic development in Michigan and how his organization is helping to increase the availability of capital for Michigan companies. He explained how the MEDC develops programs to supplement or complement existing programs to ensure that a company has access to capital for every stage of its development.

**Stephen K. Happel** - Emeritus Professor of Economics, Arizona State University W.P. Carey School of Business. Happel's presentation provided a look at economic trends and a perspective on how Federal Reserve policies affect the economy.

**John Herrmann** - Managing Director, Senior Economist Capula Investment Management. Herrmann's presentation covered current topics about both U.S. and global economies. Among the topics he addressed were the Eurozone, quantitative easing and Operation Twist and their effects on various commodities, employment, and housing.

Other presentations included one by FHLBI President-CEO, Milton Miller, who updated attendees about the bank's second quarter financial results, emphasizing that the FHLBI has strong core earnings, a solid regulatory capital position, significant retained earnings and dividends well above LIBOR, in addition to fulfilling our mission to support housing and economic development and maintaining a high level of customer service to support our members' business needs.

Also representing the FHLBI were Jim Eibel, Business Development Director, and Brian McCoy, Advances Manager, who educated attendees about how to use FHLBI products in a rising interest rate environment.



Attendance at this year's meetings totaled 369 representing 140 member institutions.



Bill McDowell, VP – Sr. Account Manager at the FHLBI, greeted staff members from Eli Lilly Federal Credit Union who attended the Carmel Regional Member Meeting at the Bridgewater Club.



Michael O'Connor, (left) and Terry Stevens, Alliance Bank.



Milton Miller, FHLBI President-CEO, updated attendees on our second quarter financials.

After tearing through the Caribbean, Hurricane Sandy turned north and made landfall on the east coast particularly impacting New York City, the U.S.'s financial center. In addition to causing over 120 deaths and over \$20 billion in property damage, the 1,000 mile-wide storm brought blizzard conditions to the Appalachians, created 20 foot swells on Lake Michigan, and closed financial markets for 2 days. The loss of life, homes, and businesses is tragic, and while the Midwest was spared from the worst of this storm, we still felt its impact and realize we may not be as fortunate the next time. Both Hurricane Sandy and 9/11 closed Wall Street, making it more difficult for many financial institutions to conduct business, but the FHLBI and the other 11 Federal Home Loan Banks remained open and actively financing their members' liquidity needs. Similarly, the 12 FHLBanks increased advances to over \$1 trillion in the wake of the 2008 financial crisis spurred by the mortgage market meltdown.

# FHLBI: A Reliable Friend in Troubled Times

BY JIM EBEL, CFA, CTP, DIRECTOR OF BUSINESS DEVELOPMENT



Jim Eibel now manages the marketing department, covering all financial sectors.

Recent events such as Hurricane Sandy, 9/11, and the financial crisis have put the spotlight on contingency funding plans. Since no treasurer wants to be caught short in a crisis, there is always the temptation to carry significant cash balances "just in case." While this strategy may bring peace of mind, it is very costly and a drag on earnings.

The FHLBI provides its members with another option. Since its inception in the wake of the Great Depression, the Federal Home Loan Bank System (FHLBank System) has had a perfect track record providing its members with liquidity during both good times and bad. For this reason, FHLBank funding can play a vital role in liquidity planning and provide a rational basis for reducing excess cash balances.

*The following are several frequently asked questions regarding the FHLBI and its ability to respond to its member liquidity needs during a crisis.*

## **What are the FHLBI's funding sources?**

The FHLBI's primary funding source is FHLBank System consolidated debt financing issued from the Office of Finance in Reston, Virginia. The Office of Finance website ([www.fhlf-of.com](http://www.fhlf-of.com)) provides a great deal of information regarding the System's debt and issuance process.

Secondary sources of financing for the FHLBI are member deposits and the ability to borrow from other FHLBanks.

## **How do the FHLBanks prepare for unexpected capital market closings?**

Since the FHLBanks are an essential liquidity backstop for much of the financial services industry, they must be prepared for worst-case liquidity scenarios. For this reason, each FHLBank holds sufficient liquidity to manage at least a five-day debt market closure under the assumption that all maturing advances renew except those for very large, highly rated members.

During the recent market closures for Hurricane Sandy (October 29-30, 2012), the FHLBI had several billion dollars available for members in the event they could not access their traditional liquidity providers or there were unexpected liquidity requirements.

## **If a disaster were to strike the Office of Finance, could the FHLBanks still issue debt?**

Yes. The Office of Finance has back-up facilities and an up-to-date disaster recovery plan. In addition, the staffs of the various FHLBanks have been trained to manage debt issuance in the event of a disaster.

## **What would happen if a disaster struck the FHLBI?**

While the FHLBI has never been unexpectedly closed during its 80 years of operation, it maintains back-up facilities and an up-to-date disaster recovery plan. If a disaster were to prevent the FHLBI from either operating or utilizing its back-up facilities, it has partnered with another FHLBank that would take over and assist its members. This "buddy bank" arrangement leverages the System's 12 bank, geographically disbursed structure to further mitigate the risk of local or regional disasters.

## **When capital markets are closed, what types of advance products are available?**

When capital markets are closed, it is difficult for the FHLBI to effectively price term financing. However, the FHLBI is always able to utilize its cash resources to provide members variable rate advances during these times. Since variable rate advances have a floating rate and can be prepaid at any time, the product is ideal for bridging the gap during a liquidity crisis.

For more information about the FHLBI's advances products and how they can play a role in liquidity planning, contact the marketing or credit staff at 800.442.2568 or visit [www.fhlbi.com](http://www.fhlbi.com).

## FHLBI Schooled in Ag Banking

BY DAVE HEITHAUS, AVP, COLLATERAL AUDITING MANAGER

Encouraging the development of small business and farm real estate lending by our 238 members meeting the FHFA definition of a Community Financial Institution (CFI) by making credit products available continues to be a focus at FHLBI. The FHLBI currently accepts fully disbursed, first mortgage “small farm loans” (\$1 million or less) owned by CFI institutions as collateral for FHLBI credit products.

### MIDWEST AGRICULTURAL BANKING SCHOOL, PURDUE UNIVERSITY

With a view toward achieving our strategic initiative through expanding the CFI collateral pledged (including small farm loans), FHLBI Collateral Auditing Manager Dave Heithaus and Risk Review Auditors Brian Smith and Eric Smith recently attended the 2012 Midwest Agricultural Banking School at Purdue University in West Lafayette, IN. Attendees explored such topics as the fundamentals of Midwest agriculture, agricultural financial statements, agricultural credit analysis and decision making, Farm Service Agency programs, impact of the proposed 2013 farm bill, environmental audits, and crop insurance, among many others.

A wide range of tools was provided for analyzing agribusiness performance. Howard Halderman of Halderman Farm Management presented an enlightening overview of trends in Midwest agricultural land values, with special emphasis on Indiana. Presentations at the Agricultural Clinic, which is open to those not attending the Ag Banking School, included “A New Agricultural Lending Market,” which looked at the state of global economies and the “new normals” of global economics posing new risks and opportunities to both agricultural producers and lenders. “New Insights on Credit Analysis” analyzed other macro and micro economic risks to agricultural producers and lenders.

“Land Values – Where to Now?,” “2013 Grain and Livestock Outlook,” “Crop Production Practices Update,”



Three members of the FHLBI's collateral staff attended the Midwest Agricultural Banking School at Purdue University: Dave Heithaus (1st row, third from left); Brian Smith (far right, 2nd row); and Eric Smith (far right, 3rd row).

“Accrual-Adjusted Income Statements,” and other breakout sessions provided additional valuable perspectives on the highly technical and specialized discipline of agricultural lending.

Dave, Brian, and Eric enjoyed the opportunity to network with other agricultural bankers in attendance from Indiana, Michigan, Kentucky, Illinois, and Ohio. They were joined in the Midwest Agricultural Banking School graduating class of 45 by representatives of seven FHLBI member institutions in Indiana and three in Michigan.

The FHLBI Credit Services staff would welcome the opportunity to discuss the approval process for the pledge of Other Real Estate Related collateral, as well as the nuances of the selection criteria for CFI collateral with members not currently availing themselves of this valuable facility. Basic selection criteria for CFI and other collateral types may be viewed in the Credit Services section of Member Link under “Policies & Procedures” at the link titled “Collateral Procedures & Selection Criteria.”

# Credit Services

For additional information on how your institution can increase collateral capacity with the FHLBI, please contact your account manager or credit services at 1.800.442.2568.



# Staff Focused on Serving Members

When members call 800.442.2568, they often reach an advances operations team member who can address their credit requests or credit-related questions. Team members have changed over the years, but the professionalism and prompt service has not.

Staffing the advances desk is Brian McCoy, Advances Operations Manager, and lending officers Rori Chaney and Rob Hovermale. Brian has led the team since 2006 after spending 5 years in other areas of credit services. He joined the FHLBI in 2001, bringing with him 14 years' experience in banking and financial services. Rori joined the FHLBI's MPP department in 2008 after a 14 year career in retail banking before transferring to advances operations in 2010. Rob joined the FHLBI in 2008, originally serving as a securities analyst in credit services. Rob previously spent 10 years in financial services.



CLOCKWISE: Rob Hovermale, Rori Chaney, and Brian McCoy.

Beyond assisting members with advance requests, the team manages members' capital stock requirements and purchase activity, letter of credit requests and draws, advance prepayments, "blend and extend" transactions, and lines of credit. The staff also provides members customized funding solutions that best meet the needs of their balance sheets.

## Chuck Rainey: Welcome Back!

Chuck Rainey, VP-Sr. Account Manager, returned to the FHLBI on October 1 after 19 months on active duty with the Navy. Chuck, a Navy Reservist, was promoted to Rear Admiral in 2009 and in March 2011 was ordered to report to the Space & Naval Warfare Systems Command in San Diego.

As the Deputy Commander for Fleet Readiness, Chuck was responsible for leading the Fleet Readiness Directorate, an organization in charge of installing and sustaining the Navy's tactical networks, communications gear and intelligence, and cyber systems both afloat and ashore. Chuck found the work to be both challenging and satisfying and was recognized with the U.S. Armed Force's Legion of Merit medal for the performance of his duties while activated.



Chuck retired from the Navy Reserves on September 30 after 32 years of service. His retirement ceremony was held at the Naval Air Station Patuxent River, MD, a place from which he had flown and tested various Navy aircraft early in his career.

Chuck began his FHLBI career in 1994 as an intern through IUPUI. After graduating with an MA in economics in 1995, Chuck became a full-time employee. While Chuck was on duty, Frank Abercrombie, a former FHLBI marketing representative, came out of retirement to take care of Chuck's customers. "It's great to be back," stated Chuck. "California was great, but we missed Indiana, all of our family and friends here, and I certainly missed my customers."

## Matt Fix: New Account Manager

Meet Matt Fix, the newest member of the marketing department starting January 2013. However, Matt is not a newcomer to the FHLBI. After an internship at the FHLBI while pursuing his MBA, Matt joined the Bank as a credit analyst in September 2004. In April 2006, Matt became a lending officer, speaking with members frequently on the phone to help them meet their funding needs. He then accepted his current position in our treasury department in 2010 where he funds our short-term liquidity position and LIBOR-based derivative assets, as well as hedging advances.

"I'm looking forward to getting back in touch with our members on a daily basis and helping the Bank grow the advances and Mortgage Purchase Program portfolios," Matt commented. Matt holds a BS in economics from West Point and an MBA from Indiana University.



To contact any of the credit services or account managers, call 800.442.2568 or visit [www.fhlbi.com](http://www.fhlbi.com).

# CIP Funds Habitat for Humanity ReStore

BY MARJORIE GREEN, AVP, DEVELOPMENT MANAGER

ReStores are retail outlets selling new and gently used building materials, appliances, furniture, flooring, paint, hardware, and other miscellaneous items.

The concept is a huge success because customers save money on home improvement projects; products that still have value are recycled and diverted from the landfill; and profits are used to support the mission of Habitat.

In partnership with 1st Source Bank in South Bend, IN, Habitat for Humanity (HfH) renovated an old Frank's Nursery & Crafts building into a new ReStore that provides items generally needed for housing improvements at reduced prices. The project was financed with a \$1.6 million loan funded with a Community Investment Program (CIP) advance from the FHLBI, along with support from Mishawaka Tax Increment Financing funds.

Centrally located in a prime retail area, the new location allows an expansion of their customer base and improves the quality and quantity of donations. The newly renovated store at 24,000 square feet is significantly larger than the previous 15,000 square foot store. The opening of the new store on Grape Road in Mishawaka follows on the success of a new store in nearby South Bend. Sales are projected to increase 30-50 percent within the first two years of operation, generating an additional \$100,000-150,000 of profits annually. Increased profits will allow more Habitat homes to be built to serve St. Joseph County families, nine of which will be built in Mishawaka. Because the ReStore is larger, 10-15 new employees could be added, creating much-needed jobs for the area.

## 1ST SOURCE & HfH OF ST. JOSEPH COUNTY

1st Source has developed a solid partnership with HfH of St. Joseph County. Mark Gould, AVP, CRA Community Relations Officer for 1st Source Bank said, "We have been seeking opportunities to use CIP and this ReStore project was perfect. In the past, we partnered with Habitat for Humanity of St. Joseph County to fund the ReStore in South Bend and successfully applied for the FHLBI's Affordable Housing Program grant funding for the past three years. The 1st Source Foundation has granted matching funds to help build more homes."

In addition to financial support, 1st Source employees volunteer for Habitat home builds, and Larry Shute, a 1st Source employee, serves as the chairman of the board of HfH.

Jim Williams, Executive Director of HfH, commented, "We really value our partnership with the Federal Home Loan Bank of Indianapolis and 1st Source Bank. They have helped us serve more families during a time of real need."

## BRINGING PEOPLE TOGETHER

In an ever-changing economic environment, ReStores provide funding stability and sustainability to enable HfH to continue to bring people together to build homes, communities, and hope. The organization has mobilized over 15,000 volunteers for the past 25 years to build 148 homes for hard-working, low-income families.



Mishawaka Mayor Dave Wood (left) and Kurt Reiners, ReStore Manager, admire the new larger ReStore after the ribbon-cutting ceremony. Increased profits from the larger ReStore will allow more Habitat homes to be built in St. Joseph County.

To find out if your project qualifies for CIP, contact Shannon Fountain, FHLBI's Community Lending Manager, 317.465.0428 or e-mail, [sfountain@fhlbi.com](mailto:sfountain@fhlbi.com) or call the Community Investment Department, 800.688.6697 or [housing@fhlbi.com](mailto:housing@fhlbi.com).

# History, Mythology and Affordable Housing

## Turning Point

*Macomb County, Michigan*

Turning Point, a shelter for survivors of domestic and sexual violence and their families in the Metro Detroit area, is constructing a new \$3 million facility that will increase capacity by 40 percent. The current shelter, which was outdated and in disrepair, was renovated and a new 7,000 square foot facility was added for a total of 12,000 square feet. The shelter will accommodate 52 people and provide more space for on-site services and children's programs.

Turning Point partnered with FHLBI member Talmer Bank and Trust in Troy, MI, to obtain a \$500,000 Affordable Housing Program (AHP) grant to support the project. This was Talmer's first AHP award. The shelter plans to open in spring 2013.

## Lincoln Apartments

*Indianapolis, Indiana*

Homeless veterans in Indianapolis will have a permanent home and access to supportive services at Lincoln Apartments, a project on Indianapolis's near westside that broke ground on Nov. 8. The City of Indianapolis donated the land to Building Blocks Non-profit Housing Corp. and obtained federal and state grants to clean up the property that had been vacant since 1962.

Many partners came together to finance Lincoln Apartments, one of which was the FHLBI's AHP. Building Blocks partnered with FHLBI member National Bank of Indianapolis to obtain an AHP grant of \$500,000 to help fund the \$11.6 million project.

*The dedication ceremony for the Lincoln Apartments, named after President Abraham Lincoln, is set for Nov. 2013 to coincide with the 150th anniversary of the Gettysburg Address.*

## Phoenix on the Square

*Paoli, Indiana*

According to mythology, the phoenix at the end of its life builds a nest, ignites itself and burns and out of its ashes rises a new bird to begin the cycle of life again. So it goes with a building on the courthouse circle in downtown Paoli. A fire in November 2010 destroyed a historic building but in its place is a new mixed-use development constructed to blend in with surrounding buildings. Phoenix on the Square contains affordable apartments on the second floor and on the first floor in the back with retail and office space on the first floor facing the circle.

Hoosier Uplands Economic Development Corp. was awarded an AHP grant of \$750,000 through their partner Old National Bank, Evansville, IN. The ribbon-cutting ceremony took place exactly two years after the devastating fire.



A group of dignitaries and special guests, including Indiana Lt. Governor Becky Skillman (center, in blue coat) turned the first shovels of dirt for Lincoln Apartments on Indianapolis's near westside. The project will provide permanent, supportive housing for homeless veterans. The National Bank of Indianapolis partnered with Building Blocks Non-profit Housing Corp. to receive an AHP grant of \$500,000.



Out of the ashes of a devastating fire rose the Phoenix on the Square in downtown Paoli, IN. Retail space occupies the first floor facing the courthouse square with affordable apartments in the back and on the second floor. Hoosier Uplands Economic Development Corp. was awarded an AHP grant of \$750,000 through Old National Bank.

# MPP - Customer Service Remains Key Priority

BY CATHY GARRETT, AVP - MORTGAGE ACQUISITIONS MANAGER

While MPP shares the same regulator with the other GSEs, there are some fundamental differences in how we do business – primarily with our members’ ownership interest in the FHLBI and the multi-level business relationship we enjoy. The success of MPP benefits the FHLBI’s profitability that manifests itself in the members’ quarterly dividend. So, while our members’ mortgage departments enjoy the benefits of a simple pricing structure and great customer service, their financial institution as a whole reaps the dividend reward.

There are many reasons why the FHLBI has experienced significant growth in the number of new approved sellers and MPP loan sales.

- 1 Simple pricing structure with only one loan level price adjustment (cash-out refis).
- 2 Competitive pricing.
- 3 Financial strength and stability of the FHLBI.
- 4 Dividends – when you contribute to the success of MPP, the profits come back to you in the form of quarterly dividends.
- 5 Lender Risk Account – no other program offers you a reward for making good, quality loans.
- 6 And most importantly, Customer Service – local decision making and problem resolution means questions are answered and issues resolved quickly.

## How does QE3 impact MPP?



**Step 1**  
Fed buys mortgage securities and Treasuries from banks and securities dealers through the trading arm of the NY Fed.



**Step 2**  
This removes these safer investments from the markets and pushes down yields on these investments.



**Step 3**  
Investors turn to other assets like stocks, corporate bonds and even commodities, pushing their prices higher.

The Federal Reserve announced in September the third round of quantitative easing (QE3) and began purchasing approximately \$40 billion in mortgage-backed securities on a monthly basis. QE1 and QE2 resulted in asset purchases of \$2.3 trillion, and the final number for QE3 is unknown at this date. The intended result from this action is to lower the bond yields and effectively keep mortgage and other consumer loan rates low. The unintended result to MPP pricing is that our debt is not part of this purchase process, making our funding ultimately higher.

While there is no time or volume limit to QE3, it will eventually end, and MPP’s pricing model will again be even more favorable to the agency price.

**Program**  
The MPP staff of 8 currently supports a portfolio balance in excess of \$5.8 billion and nearly 100 active sellers. They pride themselves on their excellent customer service to sellers.

#### ADMINISTRATION

**Jeff Buttars, MPP Director** – joined MPP in June 2012 and is responsible for all MPP activities, reporting, product development and regulatory compliance. From 2001 to 2006, Jeff was the MPP Operations Manager at the Seattle FHLB.

#### OPERATIONS

**Mark Holt, Operations Manager** – Mark has been with MPP since 2000 and was part of the initial planning and pilot program. Mark manages daily operations, including locks, rolls, pair offs, servicing and claims processing.

**Jeff Gentner, Financial Analyst** – Jeff has been with MPP over four years and is responsible for MPP reporting and assists our sellers with locks, rolls, pair offs, funding and Master Servicer remittance.

**Steve Broviak, Loss Claims Manager** – Steve joined our MPP staff in 2011 after we implemented MPP Advantage and brought the claims processing in house. Steve assists our sellers and servicers once a loan goes over 60 days delinquent throughout the process of loss mitigation, foreclosure and claim resolution.

#### QUALITY ASSURANCE

**Keith Pempek, Compliance and QA Manager** – Keith joined MPP in October 2008 and is responsible for all compliance issues related to the purchase of MPP assets, repurchase processing and MPP guide, along with overseeing the QA function.

**Afshan Memon, QA Specialist** – Afshan joined MPP in October 2007 and is responsible for the QA review process and communication with our sellers for MPP. She is also responsible for the record retention process for the department.

#### ACQUISITIONS

**Cathy Garrett, Mortgage Acquisitions Manager** – Cathy has been part of MPP since July 2001 when the regulator gave final approval for the program. She handles the approval process for new sellers, ongoing relationship management, including underwriting and LAS questions, training on MPP and LAS and contract negotiation.

**Candace Zuercher, Acquisitions Support Specialist** – Candace joined the MPP team in January 2012 and is in charge of application processing, contract/document preparation and customer support with underwriting and LAS questions.



PICTURED LEFT TO RIGHT: Jeff Buttars, Cathy Garrett, Steve Broviak, Keith Pempek, Afshan Memon, Jeff Gentner, Mark Holt, Candace Zuercher.

For additional information about MPP Advantage, call 800.274.4636 or contact Cathy Garrett, Mortgage Acquisitions Manager, at 317.465.0553 or cgarrett@fhlbi.com or visit [www.fhlbi.com](http://www.fhlbi.com).

# Spirit Award

## Ralph Villalon Receives Community Spirit Award

*Recognizing excellence in community economic development*

FHLBI • COMMUNITY SPIRIT AWARD

The Federal Home Loan Bank of Indianapolis and its Affordable Housing Advisory Council present the annual Community Spirit Award to honor an individual from one of its member financial institutions who has shown an outstanding dedication to affordable housing and community economic development.

To recognize excellence in community economic development, the FHLBI and its Affordable Housing Advisory Council selected Rafael "Ralph" M. Villalon, Assistant Vice President, CRA Outreach at Lake City Bank, Warsaw, IN, as the recipient of the annual Community Spirit Award.

Under Ralph's leadership, Lake City Bank has a long history of partnering with a local housing agency LaCasa on their Financial Fitness Class. Ralph brings a level of excellence to the class by teaching complex financial topics in a way that is easy to understand and implement. Ralph was also instrumental in setting up a micro loan "Learning to Save," which gives participants the opportunity to build credit through a secured bank loan, regardless of credit history.

**Ralph's community contributions are many, including:**

- contributing to neighborhood growth through the Help-a-House program;
- assisting applicants for the FHLBI's NIP product to rehabilitate their homes; and
- serving as a community resource to disseminate information to the immigrant population.



**Ralph Villalon**  
 ASSISTANT VICE PRESIDENT  
 CRA OUTREACH AT LAKE CITY BANK  
 WARSAW, INDIANA

Judging is based on a nominee's dedication to community, action and spirit. To nominate an individual, please visit the Community Investment section of [www.fhlbi.com](http://www.fhlbi.com) to review the selection criteria and complete the brief nomination form. Award recipients receive a plaque, and a donation will be made in their honor to a non-profit organization or charity of their choice.

### FHLBI PERFORMANCE

*(\$ in millions, unaudited)*

As of September 30, 2012		For the nine months ended September 30, 2012	
Assets	\$41,231	Net income	\$ 108.0
Advances outstanding	\$ 18,652	Return on average equity	7.04%
Purchased mortgage loans, net	\$ 5,844	3rd quarter dividend (class B-1 stock)	3.50%
Retained earnings	\$ 570		

### NEW MEMBERS APPROVED FROM JUNE THROUGH NOVEMBER 2012

American 1 Credit Union  
 Jackson, MI

SageLink Credit Union  
 Durand, MI

Tuebor Captive Insurance Company LLC  
 Detroit, MI



The Orange Township Fire Department in northeastern Indiana has a new fire station built with the help of a low-cost CIP advance obtained by FHLBI member Campbell & Fetter Bank. CIP advances provide a readily available, low-cost source of funds to support community and economic development.

## Small businesses, services, infrastructure... The essence of community life.

Consider a community that lacks jobs, vital services, decent housing, business activity, modern infrastructure. It is a community struggling to survive. But get just one piece of economic development up and running and others often follow.

Community Investment Program (CIP) loans from the FHLBI can kindle this revitalization, striking a spark that spreads through a neighborhood, filling the economic gaps with new possibilities for those who live there. School buses, a downtown mall, medical plazas, factories, recycling centers, apartment buildings, grocery stores, and many other projects have brought hope to low-income areas through CIP.

**FEDERAL HOME LOAN BANK OF INDIANAPOLIS**

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