

FHLB *Indepth*



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

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Building Partnerships. Serving Communities.



Rep. Sander Levin (D-MI) sponsored legislation that amended the Internal Revenue Code to permit the Federal Home Loan Banks to use letters of credit to support infrastructure improvements, fire stations, medical clinics, schools and other economic development initiatives. That legislation is now at work in his own congressional district. Straith Hospital in Southfield, MI, partnered with FHLBI member Citizens Bank, to obtain an LC to fund the expansion and renovations to existing facilities. The hospital now has state-of-the-art facilities to better accommodate patients. *Read article on page 6.*

Dates to Remember

INDEPENDENT DIRECTOR ELECTION

Ballots have been mailed and should be returned in December.

FHLBI WILL BE CLOSED ON THE FOLLOWING DAYS:

December 25	Christmas Day
January 1	New Year's Day
January 18	Martin Luther King Day
February 15	Presidents' Day

Check the events calendar at 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.

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MESSAGE FROM THE PRESIDENT & CEO

As 2009 draws to a close, it is important to acknowledge some of the success stories of our organization and staff. This issue of the magazine highlights some of those people and programs.

While a number of our employees furthered their career goals by earning additional degrees and certifications, Charles (Chuck) Rainey, a member of our marketing team and the Navy Reserve, was promoted to rear admiral (lower half) and became director of the Naval Air Systems Command Reserve Program at Patuxent River, MD. Also noteworthy, Eric Villate, a valued professional in our financial controls division, became a U.S. citizen at a naturalization ceremony in October. Eric, originally from Colombia, joined the FHLBI in 2003.



Milton J. Miller
President & CEO

We welcomed a new senior staff person to the organization. Lowell Short joined our staff a few months ago as the chief accounting officer. Lowell's knowledge and experience will be invaluable as the FHLBI navigates complex accounting issues.

We are pleased to announce that the National Housing Conference (NHC) will honor the Federal Home Loan Bank System's Affordable Housing Program (AHP) – the nation's largest source of private grant funds for affordable housing – with the 2010 "Housing Program of the Year" Award at its 38th annual gala in Washington, DC, in June. This year marked the 20th anniversary of AHP, a grant program that has provided \$3.7 billion for the creation of more than 670,000 affordable rental and owned homes for low- to moderate-income families. The anniversary is the opportune time for NHC to honor a program that has not only helped to ensure affordable housing for all, but also has contributed significantly to helping build strong, healthy communities nationwide.

We're proud of the thousands of homes and apartments that the FHLBI's AHP grants have helped to create throughout Indiana and Michigan because of the difference that having a safe, decent place to live can make in the quality of life for individuals and families.

The FHLBI's members, likewise, deserve recognition for their affordable housing and economic development efforts. Our 2009 Community Spirit Award recipients, Chris Aikens at Flagstar and Dave Wood at 1st Source Bank, were nominated for the award because of their commitment to improving their own communities. Their work in our district is appreciated.

The FHLBI extends its congratulations to Jim MacPhee, CEO of Kalamazoo County State Bank and a current board member, for being named chairman-elect for the Independent Community Bankers Association. Congratulations also to Art Johnson of United Bank of Michigan, who will be the 2009-2010 chairman of the American Bankers Association, and to Bill White of Dearborn Federal Savings Bank, who will be treasurer. We value our long-standing relationships with these and other trade associations.

As a final note, I would like to thank our members for their continued use and support of our products and services. Despite difficult economic times, our members know they can depend on our ability to provide funding to meet the needs of their communities.

Sincerely,

Milton J. Miller
President & CEO

Lowell Short Named Chief Accounting Officer



Lowell Short

The FHLBI welcomes K. Lowell Short, Jr., as Senior Vice President – Chief Accounting Officer. Short will manage financial reporting, accounting and budgeting functions and will serve as the principal accounting officer.

Short has over 20 years' experience in the financial services industry. He served as a member of the board of directors of One America Funds, Inc. in Indianapolis, IN from 2007 to 2009, and was a member of that board's Audit Committee. From 2006 to 2007, he served as Executive Vice President – Chief Financial Officer of Forethought Financial Group in Indianapolis and Batesville, IN. From 1990 to 2006, Short served as a senior vice president at Conseco Companies in Carmel, IN.

Short earned an MBA in finance from Indiana University and a BS in accounting from Olivet Nazarene University, Bourbonnais, IL.

FHLBI Employee Takes Helm of NAVAIR Reserve Program

Charles Rainey, "Chuck" as his colleagues call him, is a 1984 graduate of the U.S. Naval Academy. He attended Naval Flight Officer training at Pensacola and Mather Air Force Base, where he received his wings in 1985. He subsequently served in Fleet Air reconnaissance Squadron One at NAS Agana, Guam, 1986-1989, where he flew the EP-3E Aries and was designated a Senior Electronic Warfare Tactical Evaluator and Electronic Warfare Mission Commander. Chuck has continued to advance through the ranks and in 1991 he accepted a Navy Reserve Commission and joined the NAVAIR reserve program in 1992.



Chuck Rainey (right)

On October 1, 2009 "Captain Rainey" was promoted to Rear Admiral (Lower Half) and became director of the Naval Air Systems Command Reserve Program at Pax River.

Chuck joined FHLBI in 1995 and currently is a Vice President Account Manager in Sales & Marketing. He shared that the leadership training he has received through the Navy has helped him grow personally and professionally. The skills he has developed in both careers complement each other as he brings his unique level of professionalism to all he does.

Michigan Bankers Elected to Banking Trades

The FHLBI congratulates three representatives of its member institutions elected to offices at two national banking trade associations.

In March 2009, James MacPhee was named Chairman-Elect for the Independent Community Bankers Association (ICBA). MacPhee, CEO of Kalamazoo County State Bank, Schoolcraft, MI, has been actively involved with ICBA, having held other offices and served on a number of committees. He recently testified before the U.S. House of Representatives Committee on Small Business at a hearing dealing with the impact of financial regulatory restructuring on small business. MacPhee currently serves on the FHLBI's board of directors.



James MacPhee

Art Johnson, chairman and CEO, United Bank of Michigan, Grand Rapids, MI, was elected the 2009-2010 ABA chairman during the association's annual convention in Chicago. In his speech at the convention, Johnson encouraged ABA members to be unified. "This is the time when standing together as an industry – and telling our story – advances our cause more than trying to draw distinctions that divide us."

William White, chairman and president, Dearborn Federal Savings Bank, Dearborn, MI, was elected ABA Treasurer. White served on the FHLBI's board from 1998 to 2004.

Still Making a Difference – 20 years later

The Federal Home Loan Bank of Indianapolis (FHLBI) has launched a year-long celebration of the 20th anniversary of the creation of the Affordable Housing Program (AHP). This program has become a one-of-a-kind housing program and an opportunity for Federal Home Loan Bank members across the country to make a difference in their communities.

Since the AHP's inception in 1990, FHLBI member financial institutions have embraced the program and offered over \$142.3 million in AHP grants to first-time homebuyers, existing homeowners, and local housing organizations to provide gap funding for rental housing and homeownership projects.

The AHP was created by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. Beginning in 1990 through 1993, the program was funded with 5 percent of each FHLBank's earnings. That percentage grew to 6 percent in 1994, followed by 10 percent in 1995 and every year thereafter.

In 1990, the FHLBI had \$3.58 million available for AHP grants. In the first round of AHP funding, the FHLBI awarded \$2.1 million in subsidies to 12 institutions – 4 in Indiana and 8 in Michigan. As has become the hallmark of AHP, this funding leveraged a total development cost of \$14.9 million, creating 152 units of rental housing and 162 units of owner-occupied housing. Twenty-one applications were submitted for the first round, a pattern of competition and high demand that has continued through the years. The types of projects funded in 1990 are similar to those requesting funding in current rounds,

including renovating houses on scattered sites, building transitional housing for the homeless or victims of domestic abuse, or creating affordable apartments for senior citizens, those with special needs, or low-income families.

The following photos are proud examples of the affordable housing projects completed in the past year, including those visited by FHLBI's Board of Directors and Affordable Housing Advisory Council on a tour of Grand Rapids, MI, in July. Watch for future articles throughout 2010 as we celebrate this opportunity to work with our members to offer affordable housing grant funds and make a tangible difference for low- and moderate-income households in communities throughout Indiana and Michigan.

20 YEARS

Federal Home Loan Bank of Indianapolis

Affordable Housing Program

A TOUR OF GRAND RAPIDS

Jonathan Bradford, Executive Director of the Inner City Christian Federation (ICCF) and FHLBI Board member, hosted the Affordable Housing Advisory Council (Council) and FHLBI Board of Directors on July 30, 2009, to kick off a tour of some notable affordable housing initiatives in Grand Rapids, MI.

During the tour, the group visited Verne Barry Place, a creative project involving the rehabilitation of 3 old hotels into 44 units of supportive housing, and the construction of 72 additional housing units, a parking deck, and commercial space on Division Street in downtown Grand Rapids. Milton Miller, FHLBI CEO, was presented a plaque commemorating the prestigious national 2009 Charles L. Edson Tax Credit Excellence award this project received this year in Washington, DC. FHLBI awarded a \$500,000 AHP grant to this \$19 million mixed-use supportive housing project developed by Dwelling Place.

20 Years of AHP continued on page 10



Jarrett DeWyse (far right), Director of Housing Development for Dwelling Place, guides members of the FHLBI's Board of Directors, Affordable Housing Advisory Council and staff on a tour of Verne Barry Place in downtown Grand Rapids, MI.

Insurance Companies Engage in Community and Economic Development

Since 2005, FHLBI insurance members have used \$107.4 million of CIP funds for community and economic development projects.

BY JIM EBEL, CFA, VP & INSURANCE MARKET MANAGER

The passage of the Gramm-Leach-Bliley Act in 1999 opened the door for insurance companies to become full participants in the FHLBank System. As insurers have integrated FHLBank products and services into their business models, they have become significant partners in the FHLBI's public policy mission.

The FHLBI's business development plan includes educating insurers regarding the Community Investment (CIP) and Affordable Housing Programs (AHP) and encouraging their participation. In 2005, Grain Dealers Mutual Insurance became the first insurer to utilize CIP. The organization used \$2.5 million of CIP funding to finance a new facility to reduce maintenance costs, save jobs, and add new positions.

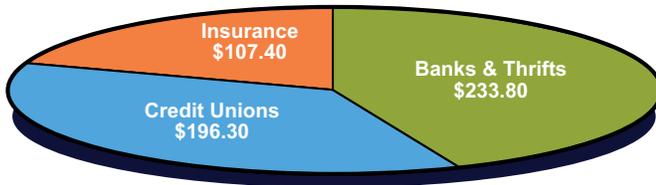
In the four years since the Grain Dealers project, five different insurers have used \$107.4 million of CIP funds for

community and economic development projects. This figure represents one-fifth (20%) of all CIP funds disbursed during the period. The level of insurer usage of CIP is impressive since they represent less than 10% of the membership, are still learning how to use the FHLBI, and are exempt from the Community Reinvestment Act.

ACCIDENT FUND NATIONAL HEADQUARTERS

For the most part, insurers have utilized CIP for economic development projects. Accident Fund Insurance Company's revitalization of an aging power plant in downtown Lansing, MI, is one example. The CIP funded transformation of the old plant into Accident Fund's national headquarters. In addition to being an outstanding example of urban renewal, the project will enable Accident Fund to add up to 500 new jobs to the Lansing economy within 10 to 15 years.

**CIP Advance Usage
4 Years Ending 9.30.09**
\$ in millions



Accident Fund Insurance Company in Lansing, MI, is using a CIP advance to transform a former power plant into its national headquarters. The building is scheduled for completion in 2011.

PARTNERING TO MAKE A REAL DIFFERENCE

While several insurers have been evaluating potential AHP projects, Brotherhood Mutual Insurance Company has the distinction of being the first organization in the FHLBank System to have a project awarded.

During the first AHP round of 2009, the FHLBI awarded a \$750,000 grant for the Charis House in Fort Wayne, IN. The Charis House application involved a partnership between Brotherhood Mutual Insurance and Fort Wayne Mission Ministries.

For the past 12 years, the Charis House has provided food, clothing, shelter, and life-changing programs for women and children suffering from homelessness, mental illness, addictions, trauma, and/or physical abuse. The

demand for Charis House services has far-outstripped the capacity of its aging facility and its 42 beds. During September 2009 alone, Charis House turned away 54 women and their 45 children due to lack of space. Brotherhood Mutual's project sponsorship provided access to the \$750,000 AHP grant and made the construction of a new 24,000 square foot facility possible. The new Charis House will have nearly twice the capacity to serve the Fort Wayne area and is targeted to open in March 2010.

According to Patty Crisp, President of Charis House, "Brotherhood Mutual was a white knight that arrived at the 11th hour. Their willingness to sponsor our project has made a tremendous difference."

The children of Charis House break ground on their new home in Fort Wayne, IN. Charis House provides food, clothing, shelter, and life-changing programs for homeless women and their children. An AHP grant of \$750,000 through Brotherhood Mutual Insurance Company is helping to build the facility.



Charis House Project
 Completion expected by March 2010

For more information about becoming a member of the FHLBI, contact Jim Eibel at 317.465.0423 or jeibel@fhlbi.com. Visit www.fhlbi.com to learn more about the Affordable Housing Program and Community Investment Program or call the Community Investment Department at 317.465.0372 or housing@fhlbi.com.

Letters of Credit Support Michigan Businesses

BY MIRIAM LEMEN, AVP, MANAGER COMMUNICATIONS & SPECIAL PROJECTS

To assist in the economic recovery, the Housing and Economic Recovery Act (HERA) in July 2008 amended the Internal Revenue Code to allow FHLBank letters of credit (LCs) to guarantee tax-exempt bond issuances for municipal projects. In particular, the legislation, sponsored by Rep. Sander Levin (D-MI), amended section 149 of the code to allow FHLBanks and their community lenders to help municipalities reduce the financing costs of federally tax-exempt bond issues. Under this new permission, the FHLBI has played a role in building a wellness center in Berne, IN (see bottom of p. 8) and more recently a hospital addition.

Straith Hospital, a nonprofit hospital in Southfield, MI, obtained an FHLBI direct-pay LC through Citizens Bank in Flint to support a bond issuance for a 16,600 square foot addition. The new facility offers five operating rooms that are significantly larger than the original ones, along with pre-operating and recovery rooms, new waiting and consultation rooms, a larger dining room, and a conference room.

Roger Jones, CFO, said that doctors at Straith Hospital performed 4,600 surgeries last year and worked with over 400 patients needing acute inpatient rehabilitation services. "We're very happy with the new space," Jones commented. "We're equipped with modern facilities and current technologies that will allow us to continue to grow and meet the needs of patients more efficiently."

As part of the overall improvements to the hospital, the existing building, which opened for business in 1974, is in the process of being renovated. A physical and occupational

therapy room now occupies a former operating room. The inpatient rooms have been gutted and new fixtures and bathrooms are being installed. There are also plans to create a larger pharmacy.

John Randall, Letter of Credit Officer at Citizens Bank, commented that Citizens has a working partnership with Robert W. Baird & Co., and contracted with the investment company to issue the bonds for the hospital expansion and renovations.

HELPING SMALL BUSINESSES

Citizens Bank, a large regional bank, had solid relationships with several small business customers, assisting with bond issuances at times to help the businesses expand. Then the economy soured and investors began tendering the bonds. Citizens called on the FHLBI to issue LCs to assist several of their customers with expansion projects.



Roger Jones (left), CFO of Straith Hospital and John Randall (right), Letter of Credit Officer at Citizens Bank.



Tim Hausbeck of the Hausbeck Pickle Company in Saginaw, MI, holds a carton of peppers that will be shipped to a Subway restaurant. The company's warehouse and processing facilities were expanded using a letter of credit.

PICKLES AND PEPPERS

An FHLBI LC supported the expansion of the Hausbeck Pickle Company, a family-owned business started in 1923 by Charles Hausbeck. Tim Hausbeck, Charles's grandson, continues the business today. The company processes, packages and distributes pickles and pepper products; Sonic, Subway, and Burger King are among its largest customers. In 2006, Tim oversaw the renovations of a former tool and die building to increase its processing and packing space. A warehouse was added to increase storage space, and there are plans for further expansion.

"We conducted a bond issuance to finance the renovations and equipment for the new facility," explained Hausbeck. "But when the credit crisis hit, the bonds became unmarketable, so by using the FHLBI's credit rating to support the letter of credit, we were able to get a better rate. The FHLBI is probably saving me about 100 basis points right now."

PRECISION MACHINING

East of Flint is the small town of Lapeer, home to H&H Tool. Started 31 years ago by the Harrington family, H&H is a precision machine shop that makes connector blocks for automotive air conditioning units and ships them to assembly plants. Unlike other businesses in the auto industry, H&H seems to have weathered the economic downturn well and has maintained profitability throughout 2009. As a result, they have been able to bring back many employees who were earlier laid off when business was slow.

To expand its manufacturing facility and purchase equipment, H&H Tool obtained an LC from Citizens, which was replaced by an LC from the FHLBI. According to Andy Harrington, President, this proved to be the most cost-effective method of financing. "Letters of credit continue to help us increase productivity. With the proceeds from the most recent bond issuance, we purchased equipment that can produce a high volume of parts with increased efficiency."



H&H Tool funded an expansion and new equipment with the support of a letter of credit. Standing in the shop are Jim Harrington, CEO; Chris Carr, Vice President, Commercial Banking Officer at Citizens Bank; and Andy Harrington, President.

Because all of the featured letter of credit projects involved small businesses, the projects qualified under the FHLBI's Community Investment Program (CIP), which lowered the letter of credit fee. For more information about the CIP, contact Shannon Fountain, Community Lending Manager, at 317.465.0428 or sfountain@fhlbi.com.



Brian Hayes, CFO of Genesee Packaging Co., and John Boerger, Relationship Manager, of Citizens Bank.

PACKAGING PLANT

In nearby Flint, another FHLBI LC helped Genesee Packaging, a 30 year old minority-owned business, build a 135,000 square foot manufacturing facility. The company manufactures corrugated products along with providing warehousing and distribution of automotive aftermarket parts to both individual dealers and parts depots. Brian Hayes, CFO commented "Although a majority of our business activity remains automotive, the overall reduction in the parts packaging business has reduced our headcount from 300 employees to just over 100. We're actively looking to diversify and increase our customer base, and bring our laid off employees back to work."

Like Hausbeck, the bonds issued for improvements and the new facility were being tendered in late 2008, but the FHLBI's LC replaced the original LC from Citizens and made the bonds marketable again. John Boerger, Relationship Manager for Citizens Bank, is confident about Genesee's success. "Genesee Packaging is an ideal client and we wanted to help the business to continue to succeed."

USING LETTERS OF CREDIT

Discussing your project with the Credit Services Department is the first step in the process. The project must qualify for one of the following four specific purposes: CIP project, residential housing finance, asset/liability management, liquidity or other funding.

The member then would provide FHLBI an application. At this time we will discuss fees, term, eligibility, and time frames in order to put a plan in place to deal with the unique circumstances that your project requires.

Remember:

- Letters of credit are considered the same as our advance products relative to collateral and capital stock.
- In 2008, the HERA legislation that was passed that allows the FHLBI to back tax-exempt, non-housing bond issues in certain cases, and this new authority will expire on Dec. 31, 2010. The FHLBI is working hard to have this legislation extended.

For more information, please call Mark Pascarella (mpascarella@fhlbi.com) at 317-465-0457.

Swiss Village Update

The Arthur & Gloria Muselman Wellness Pavilion in Berne, IN opened its doors on January 16, 2009. Built to help keep the residents of Swiss Village, a large retirement community, healthy and active, the pavilion also serves the people of surrounding communities who pay an annual membership fee. Wellness center membership at the end of October numbered 250 families or individuals from 14 cities and towns in northwest Indiana. Swiss Village residents use it free of charge, and Swiss Village employees receive a 50 percent discount. Average daily attendance during the week is about 90 people.

The pavilion contains an aquatic center, cardio/strength-building fitness room, game room, and another large room that can be used for aerobic exercises and also rented for special events. The most popular activity is the water aerobics classes. For people with arthritis, exercising in the water is less painful.

The wellness pavilion also offers after-school exercise, nutrition, and behavioral health classes for children ages 6-12 and daycare services during the week.

First Bank of Berne and nearby Bank of Geneva obtained letters of credit to support the bond issuance.



Aquatic exercises are especially popular at the Muselman Wellness Pavilion. Residents of both Swiss Village and surrounding communities enjoy the center's services.

Automated Collateral System to Roll out Early 2010

System will save time and reduce reliance on FHLBI staff.

BY SCOTT STANSBERRY, AVR, COLLATERAL MANAGER

Development is nearly complete on a new automated collateral upload system. Scheduled for release in early 2010, this interface system will allow members pledging loans through specific listings or physical possession to securely report loan level data on pledged collateral directly via Member Link. This new system will decrease member reliance on FHLBI staff while providing a more efficient, timely method of pledging, updating, and releasing mortgage collateral. These upload capabilities should also lead to automated pledging of securities in the future. This new system does not affect members pledging loans through blanket reporting as the current process continues through the existing Member Link interface.

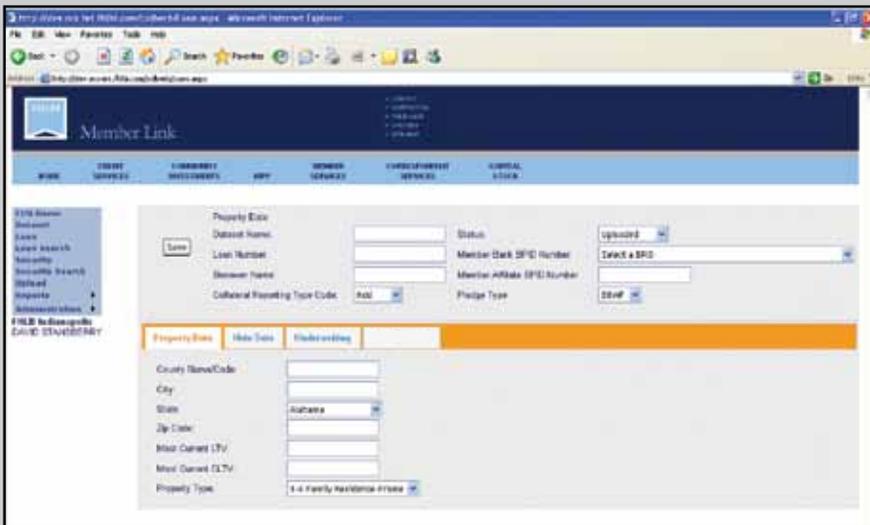
The current process for pledging, releasing and updating loans (specific listings or physical possession) includes forwarding loan level data in an Excel or Notepad (CSV comma delimited) format to an FHLBI collateral analyst via email, secured email, or FTP transmission. The analyst reviews the spreadsheet and makes any necessary formatting adjustments prior to loading the data into the FHLBI collateral system. The analyst then contacts mem-

bers to correct data of any loans failing to pass validation rules or omitted from being updated.

The new automated upload system will decrease the time it takes for members to receive updated borrowing capacity levels as the reliance on an FHLBI collateral analyst to add or release loans in the collateral system is greatly reduced. Members will also receive immediate feedback on file formatting errors or problems with loans passing validation requirements.

The automated collateral upload process begins with the member uploading a spreadsheet using the existing loan data specification format into Member Link. The uploaded data is placed into a secure area and scanned for viruses before being tested for any format or content errors. Loan records are verified against current FHLBI collateral system data and then processed through established validation rules. Any identified errors are communicated back to the member so that errors can be corrected or a corrected file reloaded.

continued on page 10



After logging into the new system, users can easily navigate to upload files and check loan data. The new system will be available in early 2010.



Members using the new collateral system will be working with the FHLBI collateral operations team. Seated left to right: Scott Stansberry and Dave Weidinger. Standing left to right: Rebecca Baskerville, Doug Houck and Becca Young.

Questions about the new collateral system should be directed to Doug Houck, Collateral Operations Manager, at 317.465.0508 or dhouck@fhlbi.com.

20 Years of AHP continued from page 3

HERON COURT

The next stop was a tour of Heron Court, a 33 unit townhouse development on Leonard Street, a supportive housing project completed in 2003. This project received a \$400,000 AHP award in 2001 and was developed by Genesis Non-Profit Housing Corp. Harold Mast, Chair of the Council, is the recently retired director of Genesis. During the stop, Mast described the adjacent development of Heron Manor, Michigan's first affordable assisted-living project for seniors.



Heron Court, a townhouse development in Grand Rapids, MI, was developed with the help of an AHP grant of \$400,000. The 33 units provide affordable housing for low-income individuals and families with disabilities.

The tour continued through Grand Rapids neighborhoods, revitalized with homes both rehabilitated and newly constructed by ICCF, which celebrated its 35th anniversary and the completion of 500 homes in November 2009. Since the AHP's inception in 1990, \$6.8 million in AHP funding has been awarded to projects in Grand Rapids.

PEAR STREET APARTMENTS

Pear Street Apartments in Ann Arbor, MI, offers 20 units of supportive housing. FHLBI member Bank of Ann Arbor partnered with Avalon Housing to receive a \$200,000 AHP grant to help with renovations. During the \$2.7 million redevelopment, radon gas, lead paint, black mold, and asbestos were found, but the building is now safe and will provide affordable one-bedroom apartments for low-income persons. Six units will be reserved for the homeless. The apartments are nearly complete and all 20 will be rented by the end of 2009. Pear Street Apartments is part of Ann Arbor's Blueprint to End Homelessness.



Avalon Housing developed Pear Street Apartments in Ann Arbor, MI, with the help of an AHP grant of \$200,000. The apartments will house very low-income tenants and six apartments are reserved for chronically homeless individuals.

SEEDS OF HOPE

An AHP subsidy of \$ 721,600 became a major funding source for an expansion and renovation project for Seeds of Hope in Indianapolis, IN. Seeds of Hope serves women with addictions who need a supportive, structured environment so they can move to a stable, drug and alcohol-free life. The program offers 12-step program meetings and self-help support groups, along with assistance in securing and/or maintaining employment.

Seeds of Hope had been renting a former convent adjacent to St. Joseph Catholic Church and School from the Archdiocese of Indianapolis for 10 years. Constructed in the 1950s, the building needed major upgrades. The organization was able to purchase the property and develop plans that will modernize the building and allow them to serve more women.

The new facility will house at least 12 women and parts of the current facility will be renovated to expand the common and service areas. The project employs several of the "green initiatives" put into place in the AHP Implementation Plan in recent rounds, including water conserving fixtures, energy efficient appliances and lighting, use of recycled construction materials, and a geothermal system.

For additional information about the Affordable Housing Program go to www.fhlbi.com or contact MaryBeth Wott, Community Investment Officer, 317.465.0368, mwott@fhlbi.com or Marjorie Green, Community Investment Relationship Manager, 517.230.2361, mgreen@fhlbi.com.

COUNTRY TRACE

Country Trace in Palmyra, IN, is a 28-unit single story garden community for senior citizens. Six one-bedroom apartments and 22 two-bedroom apartments each have an individual front porch and back patio. On-site amenities include a community room, exercise room, computer center, and leasing office. Country Trace also offers on-site bus transportation and a mobile library delivering books and movies at least bi-weekly. Blue River Services, Inc. used an AHP grant of \$500,000 awarded to Merchants Bank of Indiana (formerly Greensfork Township State Bank) to assist with developing the project. One building is the first affordable housing unit to be LEED certified by the U.S. Green Building Council in Indiana.

PLUM TREE GARDENS

Plum Tree Gardens in Noblesville, IN, is a duplex community for citizens aged 55 and over. Hamilton County Area Neighborhood Development was awarded \$405,000 in AHP funds through STAR Financial Bank. Plum Tree consists of three duplexes with six 2-bedroom affordable apartments. Each unit features a covered front porch, washer and dryer, and accessibility features, such as lower countertops in the kitchen to accommodate wheelchairs.



WYANDOTTE HOUSE

In Corydon, IN, Wyandotte House outgrew its original home, so Blue River Services teamed up with First Harrison Bank to obtain an AHP grant of \$294,386 to help build a new 3,700 square foot home. The house has room for 10 boys ages 6 to 18 who share the 5 bedrooms. The boys have access to a laundry room, kitchen, exercise room, study room, and garden, which is tended by the boys.

SPICEWOOD GARDENS

Similar to Plum Tree Gardens, Spicewood Garden Apartments in neighboring Sheridan, IN, offers affordable two-bedroom homes for people over 55 years of age. The duplex community includes an office, community center, computer center, and exercise room. Future plans call for a walkway to connect the development to the adjacent Monon Trail and an outdoor gathering space. An AHP grant of \$500,000 to Merchants Bank of Indiana (formerly Greensfork Township State Bank) assisted with the \$3.2 million development.



Above, Joshua Gillespie, (left) Field Representative for Rep. Dan Burton (R-IN), attended the grand opening of Spicewood Gardens in Sheridan, IN. Also attending were FHLBI's Becky Henderson (middle) and MaryBeth Wott, Community Investment Officer (right).

Left, STAR Financial Bank was awarded an AHP grant of \$405,000 to assist Hamilton County Area Neighborhood Development to build Plum Tree Gardens in Noblesville, IN. The senior community offers two-bedroom affordable apartments.

Collateral System continued from page 10

Once the member is satisfied with the data, the file can be submitted to the FHLBI for acceptance. The FHLBI collateral analyst will move the data into the collateral system for members pledging collateral through specific listings, allowing the member's borrowing capacity to be calculated in real time. Physical possession members will see any increases in borrowing capacity once loans have been delivered and the FHLBI has verification of receipt of the loans.

Testing of the new system is expected to be concluded before year end. Some members will be asked to partici-

pate in this testing. A training webinar will be scheduled in the first quarter of 2010, giving members a first-hand look at the automated upload system. Regional training meetings are also being considered. We would like for all members to have some exposure to this new system prior to moving it into production. Once again, roll out to all members is expected to take place in early 2010.

As always, the Credit Services staff will work diligently to assist members and to ensure a smooth transition. We appreciate your membership in the FHLBI and the opportunity to serve your institution's funding needs.

Community Spirit Award

Recognizing excellence in affordable housing and community economic development

The FHLBI and its Affordable Housing Advisory Council present the annual *Community Spirit Award* to honor an individual from one member financial institution in Michigan and one in Indiana who has shown outstanding dedication to affordable housing and community economic development.

Chris Aikens, CRA Officer at Flagstar Bank in Troy, received the Michigan award. Chris has a passion for working in the community and assisting with efforts to provide clean, decent affordable housing. She has helped first-time homebuyers realize their dream of homeownership and assisted existing homeowners with home repairs so that they can remain in their homes and improve conditions in their neighborhoods.



Chris Aikens, CRA Officer, Flagstar Bank, Troy, MI

Chris trained Flagstar associates to recognize customers who could benefit from FHLBI programs and developed checklists to ensure that the AHP application is complete when submitted.

Dave Wood, Assistant Vice President and Community Reinvestment Officer at 1st Source Bank in Mishawaka, received the Indiana award. In addition to working with the FHLBI's Affordable Housing Program, Dave has been instrumental in the development of two innovative programs. The Habitat for Humanity Asset Recovery Program has led to a cash infusion of nearly \$1.5 million for four Habitat for Humanity affiliates in northern Indiana and southwestern Michigan. Dave



Dave Wood, Assistant Vice President and Community Reinvestment Officer, 1st Source Bank, Mishawaka, IN

has also worked with University of Notre Dame graduate students and St. Margaret's House board members to develop St. Margaret's House Micro-loan Program, a lending program available to any guest of St. Margaret's House that helps with immediate needs.

FHLBI PERFORMANCE *(\$ in millions, unaudited)*

As of September 30, 2009

Assets	\$48,553
Advances outstanding	\$24,432
MPP mortgages outstanding	\$ 7,508
Retained earnings	\$ 334

For the three months ended September 30, 2009

Net income	\$ 21.5
Return on average equity	4.09%

New members approved from May 2009 through November 2009

**Communications Family Credit Union
Saginaw, MI**

**Grand River Bank
Grandville, MI**

**Indiana Housing and Community
Development Authority*
Indianapolis, IN**

**Merit Life Insurance Co.
Evansville, IN**

**Squire Reassurance Co., LLC
Lansing, MI**

**United Farm Family Life Insurance Company
Indianapolis, IN**

**United Farm Family Mutual Insurance Company
Indianapolis, IN**

*Approved as a housing associate



REGIONAL MEETINGS CONCLUDE

The FHLBI hosted six Regional Member Meetings throughout Indiana and Michigan. The meetings, now in their 15th year, drew 437 participants, representing 179 member institutions.

Milton Miller, FHLBI President-CEO, began each meeting with an update on the FHLBI, covering financials as well as current economic and legislative issues. Jon Griffin, Credit Services Director, followed with a discussion of underwriting and collateral changes. He also talked about the new collateral system on Member Link that will allow members to upload collateral directly into the FHLBI's system.

The keynote speaker, Brian Wesbury of First Trust Advisors, delivered an unusually optimistic outlook for the economy. He envisions a "V-shaped" recovery and believes the economy will soon return to where it was before the collapse of Lehman Brothers.

FHLBI New Advance Product: Inverse Floater Advance

LIKE HAVING YOUR CAKE AND EATING IT TOO IF RATES RISE

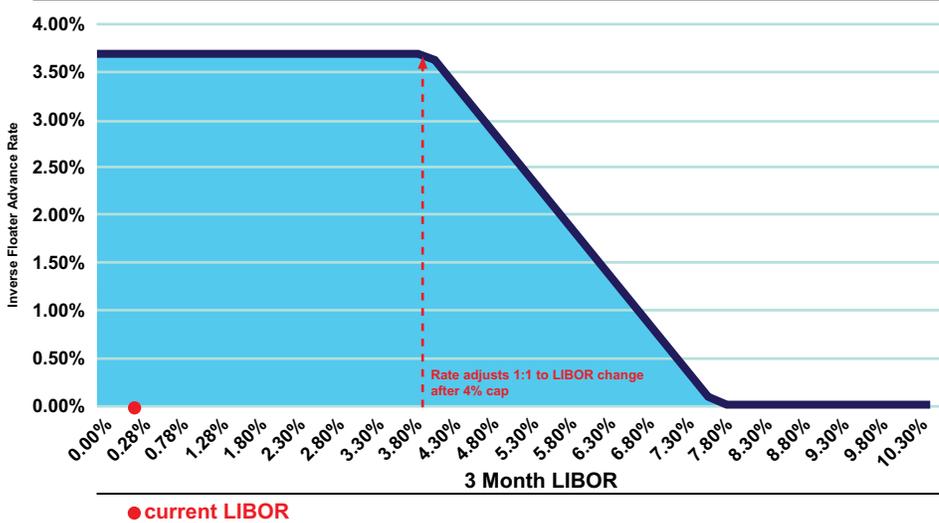
During this period of historically low interest rates, many members are looking to lock in long-term funding at an attractive rate. What if you could lock in a rate with the knowledge that it could decrease if short-term interest rates rise? With FHLBI's new inverse floater advance, you can.

The inverse floater advance combines a fixed-rate bullet advance with an embedded LIBOR-indexed interest rate cap. By embedding an interest rate cap in

the advance, the interest rate you pay will fall if the LIBOR index resets above the strike rate on the periodic reset date. The inverse floater advance allows the member to select a term and a strike rate that will provide additional protection over a straight fixed-rate bullet advance. The selection will depend upon your interest rate outlook and interest rate risk profile. The rate on an inverse floater will never be higher than the initial rate, but the interest rate will decrease basis point for basis point with any increase in the cap index above the strike rate. This feature can provide members with additional margin relief from sharp increases in short-term interest rates.

Inverse Floater Rate Given Rising LIBOR Rates

Assuming: • 5 Yr Inverse Floater • 3.65% • w/3m LIBOR Cap of 4.0% • Current 3m LIBOR • 0.28%



To illustrate, assume an institution needs 5 year funding but would like to have protection for a rate environment in which 3 month LIBOR would go above 4%. Based on these parameters and current FHLBI funding costs, a 5 year inverse floater advance rate of 3.65% could be obtained¹. The member could enjoy the security of a maximum rate of 3.65% with the knowledge that the rate would decrease should the 3 month LIBOR rate exceed 4% with a minimum advance rate of 0%.

Institutions that would like to have the long-term protection against rising rates that a fixed-rate bullet advance provides, coupled with the potential to decrease interest expense should rates rise, will find the inverse floater advance a viable funding option to consider.

The inverse floater advance does require a minimum of \$5,000,000 but can be requested for terms up to 10 years and with a variety of 3 month LIBOR strike rates. FHLBI will be happy to assist in comparing the inverse floater advance to your other funding options under varied interest rate scenarios to see which option may be the best for your funding needs.

¹Actual rates on advances may be different from the examples noted above and depend on the market conditions at the time of issuance.

To obtain more information or pricing, contact your FHLBI Account Manager or Credit Services at 1.800.442.2568.



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