

# Housing Supply Advance Rate Buydown Program

PROGRAM GUIDE



## ■ Program Overview

---

The Federal Home Loan Bank of Indianapolis (FHLBank Indianapolis) Housing Supply Advance Rate Buydown Program is a funding initiative designed to increase housing supply across Indiana and Michigan. The program provides interest rate subsidies on advances to enable members to offer below-market financing for housing development projects.

FHLBank Indianapolis has allocated **\$6 million in total grant funding**, available on a first-come, first-served basis, with up to **\$550,000 available per member**, to reduce advance interest rates to as low as **0%** for qualifying activities.

This program supports both **homeownership and rental housing development** in Indiana and Michigan, with an exclusive focus on projects that include units affordable to households earning **at or below 120% of Area Median Income (AMI)**.

## ■ Key Program Benefits

---

### For Members

---

- **Below-market funding costs:** Advances may be reduced to interest rates as low as 0%.
- **Competitive lending advantage:** Enables offering highly attractive loan rates to developers.
- **Reasonable spread:** Members may earn up to a 3% spread over the subsidized advance rate.
- **Flexible participation:** Supports both experienced and new housing development lenders.

### For Communities

---

- **Reduced development financing costs** to help projects pencil out more quickly and require less gap funding.
- **Increased housing supply** across all housing development types and sizes.
- **Expanded access to workforce and affordable housing** in Indiana and Michigan.

### How FHLBank Members Can Use the Program

---

FHLBank Indianapolis members can participate by obtaining a **subsidized advance** and using the proceeds to finance housing development projects through one of the two following approaches:

## 1. Direct or Participatory Lending to Housing Development Projects

---

- Provide construction, bridge or permanent financing directly to a housing development project.
- Projects must be located in Indiana or Michigan and must include a portion of units at  $\leq 120\%$  of Area Median Income.
- The member must limit its spread to 3% on project loan(s).

## 2. Indirect Lending to Community Development Financial Institution or Housing Fund

---

- The member will lend to the following entities and limit its spread to 3% on the loans made to:
  - Qualified **non-depository CDFIs**, or
  - Regional or state **housing funds**
- The CDFI or housing fund will then need to:
  - Provide construction, bridge, or permanent financing directly to a housing development project.
  - Projects must be located in Indiana or Michigan and include a portion of units at  $\leq 120\%$  AMI.

## Project Requirements

---

- Include a portion of housing units serving households at  $\leq 120\%$  AMI
- Include **affordability restrictions** that will be finalized prior to construction commencement. This can ultimately be evidenced by:
  - Deed restrictions
  - Covenants
  - Regulatory agreements, *or*
  - Similar legally enforceable mechanisms
- Be located in Indiana or Michigan
- Additional AHP eligibility criteria:
  - Projects supported by a FHLBank Indianapolis AHP grant from 2022–2025 are **ineligible**.
  - Projects pursuing a 2026 FHLBank Indianapolis AHP grant are **eligible**.
  - Projects supported by or pursuing other FHLBank AHP grants are **eligible**.
- All development types are eligible with no minimum or maximum unit size, including but not limited to rental, for-sale, lease-to-purchase, new construction and rehabilitation.
- Housing development projects can include market-rate units as well as commercial components.

## Program Timeline

---

- **Program opens:** July 31, 2026
- **Program closes:** October 15, 2026

## FHLBank Member Advance Requirements

---

- **Total member allocation:** \$6,000,000
- **Per-member cap:** \$550,000
- **Advance terms:**
  - Fixed-rate bullet
  - 1-10 years
  - The term of the advance cannot be longer than the term of the project loan
  - Standard capacity requirements apply including resolution, collateral, aggregate borrowing limit, and residential asset limit (if applicable)
  - All standard prepayment and collateral requirements apply
  - Standard activity-stock requirements apply

FHLBank members can use the Housing Supply Rate Buydown Advance Calculator available through MemberLink to get a general sense of how much subsidy can be used depending on the advance principal amount and terms.

## Advance Structure Requirements

---

- **Advance type:** Fixed-rate bullet
- **Term:** 1 to 10 years
- **Term alignment:** Cannot exceed the term of the underlying loan
- **Member spread:** Maximum 3% over subsidized advance rate
- **Advance draw period:** Within 60 days of application approval

## Application and Approval Process

---

### 1) Application Submission

- FHLBank member submits Housing Supply Rate Buydown application to [housing@fhlbi.com](mailto:housing@fhlbi.com).

### 2) Community Investment Department Review

- The Community Investment team will approve eligibility and alignment with program intent. The team will then forward on the approved application to the Advances Desk.

### 3) Advances Desk Review

- The Advances Desk team will confirm member capacity and credit requirements.

#### 4) Final Approval & Funding

- Once fully approved by the Advances Desk, member has **60 days to draw the advance**.

Applications will be reviewed in the order in which they are received. Applications that are deemed complete and approved will be forwarded to the Advances Desk. Subsidy will be allocated on a first-come, first-served basis once each application is fully approved by the Advances Desk.

### Reporting Requirements

---

FHLBank members are required to provide timely documentation demonstrating the use of funds and compliance with program requirements.

#### Direct Lending Reporting

---

- Within 180 days of advance disbursement, members must:
  - Confirm funds were passed through to the project
  - Provide documentation including:
    - Executed loan notes
    - Interest rate/spread
    - Loan terms

#### Indirect Lending Reporting

---

- Within **60 days of advance disbursement:**
  - Provide the intermediary executed loan notes, interest rate/spread, loan terms to the CDFI or housing fund.
- Within **180 days of advance disbursement:**
  - Submit a **list of all project details funded** through the intermediary